



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (RDSCS) 2004 QUARTERLY REPORT #1**

#### **RECOMMENDED ACTION(S):**

Accept and File the RDSCS First Quarter Report for 2004

#### **EXECUTIVE SUMMARY:**

In accordance with Section 18.78.150 of the Municipal Code, the Community Development Department is required to review, on a quarterly basis, each proposed development which has received a Residential Development Control System (RDSCS) allotment. The purpose of this review is to determine whether satisfactory progress is being made with processing of the appropriate plans with the Community Development Department.

The majority of the residential projects are proceeding according to approved development schedules. The following projects are classified as BEHIND SCHEDULE: E. Dunne-First Community Housing (MP-01-12), E. Central-Warmington (MP-02-19), Barrett-Ditri (MP-02-20), Christeph-Kosich (MMP-99-04), McLaughlin-Jones/South County Housing (MMP-00-03), Nina Lane-Chen (MMP-02-01), Native Dancer-Quail Meadows (MMP-03-01), De Witt-Marquez (MMP-02-02), and DeWitt-Marquez (MMP-03-02).

E. Dunne-First Community Housing and Nina Lane-Chen have indicated they will be pulling building permits and commencing construction in May. Barrett-Ditri, McLaughlin-Jones and E. Central-Warmington will be filing their final map submittals in May. Native Dancer-Quail Meadows has a development agreement on tonight's agenda that will amend the schedule to bring the project into good standing. Christeph-Kosich, and both DeWitt-Marquez projects will be processing development agreements which include extensions of time for final map submittals. Upon the above approvals the projects will resume good standing.

During the first quarter monitoring period, RDSCS projects have secured 39 additional building permits and completed construction of 72 homes.

Due to the number of changes in this quarterly report, including the supplemental appropriations, the future projected population for the City of Morgan Hill will be provided in the next RDSCS quarterly report.

By a vote of 5-0, with two Commissioners absent, the Commission approved the Quarterly Report by minute action and recommended the same by the Council. A copy of the 1st Quarterly Report for 2004 and the draft minutes of the April 27, 2004 Planning Commission meeting are attached for the Council's reference.

#### **FISCAL IMPACT:**

Preparation of this report was accomplished with monies from the Community Development Fund.

**Agenda Item # 1**

**Prepared By:**

**Planning Technician**

**Approved By:**

**Community  
Development Director**

**Submitted By:**

**City Manager**



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** May 19, 2004

### **RESIDENTIAL DEVELOPMENT CONTROL SYSTEM (MEASURE P) COMPETITION SECOND YEAR PHASING REQUESTS**

#### **RECOMMENDED ACTION(S):**

Adopt Resolution approving second year phasing into Fiscal Year 2006-2007 for Residential Projects in the 2003-04 Small and Micro Project Competitions.

**EXECUTIVE SUMMARY:** On April 13, 2004, the Planning Commission approved the award and distribution of building allocations for new small and micro residential projects for FY 2005-06. The approved distributions are consistent with the guidelines established for the two competitions by the City Council in June 2003. A separate two year competition for larger Market Rate projects was conducted last year. This year's competition awarded the balance of the FY 2005-06 building allotment to small market rate projects (project between 7 and 15 units in size) and to micro projects (projects between 2 and 6 units in size at build out).

In accordance with Section 18.78.125 (F) of the Measure P ordinance, if an applicant desires approval of residential units in a single-residential development to be phased over more than one fiscal year, the applicant may apply to the City Council for such approval. The City Council may give such approval if it is demonstrated that the proposed project, if limited to one fiscal year, is not economically feasible because of the required off-site or other improvements required and other factors beyond the developer's control. The applicant shall be given the necessary additional allotment to complete the project in the next fiscal year; however, these additional allotments shall be considered a portion of the limited allotment in the next fiscal year. Applicants for two projects which were awarded a building allotment have requested their allocation be phased over two fiscal years (see attached Exhibit "A"). The first project, application MP-03-04: Cochran – Borello, was awarded eight building allocations in FY 2005-06 and will need seven additional allocations to complete the project. The Planning Commission is recommending a second year phasing into FY 2006-07 to complete the project. The second project, application MMP-03-09: W. Main – Vierra, was awarded one allocation in FY 2005-06 and needs four additional allocations in FY 2006-07 to complete the project.

The first and second year building allotment for the Vierra project is a provisional allocation. On January 14, 2004, the City Council considered an appeal of the staff decision not to accept the Measure P application for this project. As proposed, the project would establish building envelopes for four of the lots on the portion of the site designated as Open Space. Locating four homes in the Open Space zone is inconsistent with the General Plan and Zoning because 1) the proposed lots would not meet the five acre minimum lot size; and 2) the General Plan allows only the one existing dwelling in the Open Space area. Given the above determination, the application was not accepted for processing. The Council did not act on the appeal and instead directed the City Attorney to seek declaratory relief action by the court. Staff continued to process the Measure P application while the City awaits a court ruling. The appeal matter is still pending. If the appeal is not granted, the FY 2005-06 allotment for this project will be assigned to another set-aside category as approved by the Planning Commission. The unused FY 2006-07 allotment will be distributed in the next available micro project competition. Staff and the Planning Commission recommend approval of the second year phasing requests by adoption of the attached Resolution.

**FISCAL IMPACT:** No budget adjustment required.

**Agenda Item #2**

**Prepared By:**

**Planning Manager**

**Approved/Submitted  
By:**

**City Manager**

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING SECOND YEAR PHASING REQUESTS FOR PROJECTS AWARDED RESIDENTIAL DEVELOPMENT CONTROL SYSTEM ALLOTMENTS IN THE FISCAL YEAR 2005-06 OPEN/MARKET COMPETITIONS.**

**WHEREAS**, the Planning Commission has received twenty three applications requesting residential building allotments pursuant to Chapter 18.78 of the Morgan Hill Municipal Code; and

**WHEREAS**, pursuant to Resolution No.5594, the City Council has authorized allotments to be awarded to new residential projects in two separate Open/Market Competitions for the Fiscal Year 2004-05 and Fiscal Year 2005-06 building allotment; and

**WHEREAS**, on April 13, 2004, the Planning Commission adopted a Resolutions approving the award and distribution of building allocations for the Fiscal Year 2005-06 Small and Micro Project competitions; and

**WHEREAS**, the Planning Commission recommends that certain projects awarded a building allotment receive approval to phase a portion of their building allotment into the next fiscal year;

**WHEREAS**, pursuant to Section 18.78.125(f) of the Morgan Hill Municipal Code, the City Council has the authority to approve phasing of building allocations into the following fiscal year;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CITY OF MORGAN HILL THAT:**

**SECTION 1:** Pursuant to Section 18.78.12(F), the Council hereby approves the second year phasing of the new small and micro residential projects as set forth in the attached exhibit "A." The additional allocation awarded to these projects shall be subtracted from the limited allotment authorized under Measure P for the 2006-2007 Fiscal Year.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:**           **COUNCIL MEMBERS:**  
**NOES:**          **COUNCIL MEMBERS:**  
**ABSTAIN:**   **COUNCIL MEMBERS:**  
**ABSENT:**      **COUNCIL MEMBERS:**

### **🔒 CERTIFICATION 🔒**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

EXHIBIT "A"

**SECOND YEAR PHASING FOR SMALL AND MICRO PROJECTS**

**Fiscal Year 2006-2007**

<b>MP-03-04: Cochrane – Borello</b>	<b>7</b>
<b>MMP 03-09: W. Main - Vierra</b>	<b>4*</b>
<b>Total</b>	<b><u>11</u></b>

\* Award of building allocation is contingent upon City Council approval of appeal application AP-03-07. If the appeal is not granted, the FY 2005-06 allotment for this project will be assigned to another set-aside category as approved by the Planning Commission. The unused FY 2006-07 allotment will be distributed in the next available micro project competition.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

**Agenda Item # 3**

**Prepared By:**

**Assistant to the City  
Manager**

**Submitted By:**

**City Manager**

### **SUPPORT OF HIGH SPEED RAIL ROUTE**

**RECOMMENDED ACTION(S):** Approve the Resolution

**EXECUTIVE SUMMARY:** The State's High Speed Rail Authority is currently circulating environmental documents on the development of a high speed rail system. All of the routes currently considered in the documents enter the Bay Area through the South Bay. Attached is a system map.

Some other organizations are attempting to get the Authority to reconsider its earlier decision to eliminate the consideration of an East Bay approach to the Bay Area. For the South Bay, an East Bay approach would diminish the number of trains traveling through the South Bay. The Santa Clara County Cities Association has asked all member cities to adopt a resolution supporting the Authority's decision.

The Legislative Subcommittee recommends City support for the attached resolution with the added provisions that the route through Henry Coe Park should be eliminated from any additional consideration and that the City of Morgan Hill would be interested in working cooperatively with the Authority to site a station in the City of Morgan Hill.

**FISCAL IMPACT:** No budget adjustment is requested at this time.

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL SUPPORTING THE CALIFORNIA HIGH-SPEED RAIL AUTHORITY'S CONCLUSION TO USE ONE OF THE TWO SOUTHERN ALIGNMENTS (PACHECO PASS OR DIABLO RANGE) INTO THE SAN FRANCISCO BAY AREA FOR THE STATE'S PROPOSED HIGH-SPEED RAIL SYSTEM**

**WHEREAS**, a high-speed rail line connecting northern and southern California would relieve highway and air traffic congestion between the Bay Area and Los Angeles, which is one of the busiest air traffic corridors in the nation.

**WHEREAS**, the California High-Speed Rail Authority, the organization responsible for planning, designing, constructing, and operating the state's high-speed rail system, plans to run the first leg between Los Angeles and San Francisco through San Jose. Ultimately, the line would be extended to Oakland, Sacramento and San Diego.

**WHEREAS**, the California High-Speed Rail Authority is recommending two alignment options – through the Pacheco Pass or a series of tunnels through the Diablo Range – to bring high-speed rail into the San Francisco Bay Area through San Jose. The line would then split, with one set of tracks paralleling the Caltrain Commuter Rail Corridor up the Peninsula to San Francisco and the other set running up the East Bay to Oakland.

**WHEREAS**, the California High-Speed Rail Authority concluded that entering the Bay Area from the south would offer faster travel times; more frequent service to San Jose, San Francisco and Oakland; higher ridership; and more revenue.

**WHEREAS**, the California High-Speed Rail Authority considered and rejected one other Bay Area alignment, the so-called Altamont Pass alignment. Following this route, the high-speed rail trains would enter the Bay Area over the Altamont Pass to Union City. From Union City, the trains would then split into three lines – one south to San Jose, another north to Oakland and a third to San Francisco over a new bridge across the bay.

**WHEREAS**, the California High-Speed Rail Authority concluded that the Altamont Pass alignment would be problematic from an operational and environmental standpoint. According to the authority, splitting the service into three, rather than two, lines would reduce train frequencies and ridership, while substantially increasing operating costs. In addition, the authority noted costs of building a new rail bridge across San Francisco Bay and the environmental hurdles that would need to be overcome to do so make the Altamont Pass alignment impractical.

**WHEREAS**, the California High-Speed Rail Authority released its program-level environmental document in late January 2004 and is now in the process of holding a series of public hearings on it throughout the state. In addition, the authority will be accepting written public comments on this environmental document until mid-August 2004.

**WHEREAS**, a southern alignment into the Bay Area for the proposed high-speed rail system will maximize ridership, minimize operating costs and ensure that Silicon Valley is well-served by the new high-speed rail line.

**WHEREAS**, a southern alignment into the Bay Area, by utilizing the entire Caltrain Commuter Rail Service Corridor, will help Caltrain achieve several of its long-term goals, such as electrification, grade-separating the corridor, and increasing the speed and frequency of the service. These benefits could not be achieved for the entire CalTrain Corridor by using the Altamont Pass alignment for the state's high-speed rail system.

**NOW, THEREFORE**, be it resolved that Morgan Hill supports the California High-Speed Rail Authority's conclusion to use one of the two southern alignments (Pacheco Pass or Diablo Range) into the San Francisco Bay Area for the state's proposed high-speed rail system; and

**BE IT FURTHER RESOLVED**, that the City of Morgan Hill strongly encourages the High Speed Rail Authority to eliminate any routes going through Henry Coe State Park; and

**BE IT FURTHER RESOLVED**, that the City of Morgan Hill is interested in working cooperatively with the High Speed Rail Authority to site a station in Morgan Hill; and

**BE IT FURTHER RESOLVED**, that Morgan Hill will communicate this position to the California High-Speed Rail Authority in writing as part of the public record for the authority's program-level environmental document.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:**           **COUNCIL MEMBERS:**  
**NOES:**         **COUNCIL MEMBERS:**  
**ABSTAIN:**    **COUNCIL MEMBERS:**  
**ABSENT:**      **COUNCIL MEMBERS:**

**☞ CERTIFICATION ☞**

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**DATE:** \_\_\_\_\_

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**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **SUPPORT OF LEAGUE EFFORTS TO ADDRESS WILDLAND URBAN INTERFACE FIRE ISSUES**

**RECOMMENDED ACTION(S):** Approve the Resolution

**EXECUTIVE SUMMARY:** As the State becomes more populous, more and more development is pushed to the periphery of urban areas. Development at the fringe of communities generates a whole host of problems relating to utility service, wildlife interactions, and, perhaps most significantly, fire suppression. Last year's tragic fires in Southern California served as a clear reminder that many lives and homes are at risk from fires at the wildland urban interface (WUI) and have spurred a renewed interest in improving both the prevention efforts and suppression efforts in these areas.

The League of California Cities and its sister organizations have worked to develop a policy statement supporting improvements in the statewide response to fires at the WUI. They have asked all cities to consider adopting a resolution in support of their efforts. Given the clear relevance to Morgan Hill's development pattern and history, the Legislative Subcommittee recommends approval of the attached resolution.

**FISCAL IMPACT:** No budget adjustment is requested at this time.

**Agenda Item # 4**

**Prepared By:**

**Assistant to the City  
Manager**

**Submitted By:**

**City Manager**

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
MORGAN HILL SUPPORTING A JOINT LEAGUE OF  
CALIFORNIA CITIES/CALIFORNIA STATE ASSOCIATION  
OF COUNTIES POLICY STATEMENT TO DECREASE THE  
IMPACTS ON PUBLIC HEALTH AND SAFETY RESULTING  
FROM WILDLAND URBAN INTERFACE FIRES**

**WHEREAS**, Morgan Hill recognizes that the wildland fire problem is an issue of statewide importance and significance; and

**WHEREAS**, extreme fire events such as the October/November 2003 Southern California fires will happen again unless improvements in fuel management, land use policies and fire safe building standards are put into place to protect lives, structures, infrastructure, watershed, community parklands, and other vital community assets, and

**WHEREAS**, the Executive Boards of the League of California Cities, herein referred to as the "League" and the California State Association of Counties, herein referred to as "CSAC", have unanimously adopted the attached Policy Statement that declares a "call to action" to create stronger defensive strategy for dealing with wildland fire threat, and

**WHEREAS**, the defensible strategy involves a collaborative analysis of the land use, building standards and fuel management concerns associated with living in and near the wildland, and

**WHEREAS**, the League and CSAC will identify a core team of leaders who will join with political leaders from the State to lead a task force made up of community planners, environmental agencies, housing and economic development specialists, fire service representatives, law enforcement, business, and the insurance industry to implement the defensive strategy identified in the Policy Statement.

**THEREFORE, LET IT BE RESOLVED** that the City of Morgan Hill on this 19<sup>th</sup> day of May 2004 supports the Policy Statement signed by the Presidents and Executive Directors of the League and CSAC, and encourages that the League and CSAC move collaboratively and aggressively to seek implementation of the defensive strategy identified in the Policy Statement.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🦉 CERTIFICATION 🦉**

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**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **APRIL 2004 FINANCE & INVESTMENT REPORT**

#### **RECOMMENDED ACTION:**

Accept and File Report

#### **EXECUTIVE SUMMARY:**

Attached is the monthly Finance and Investment Report for the period ended April 30, 2004. The report covers the first ten months of activity for the 2003/2004 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

**FISCAL IMPACT:** as presented

**Agenda Item # 5**

**Prepared By:**

\_\_\_\_\_  
**Finance Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**CITY OF MORGAN HILL**  
**Monthly Financial and Investment Reports**  
**April 30, 2004 – 83% Year Complete**



**CITY OF MORGAN HILL**

**Prepared by:**  
**FINANCE DEPARTMENT**



CITY OF MORGAN HILL, CALIFORNIA  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04  
FOR THE MONTH OF APRIL 2004 - 83% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 83% of the year.

- \* **General Fund** - The revenues received in the General Fund were approximately 81% of the budgeted revenues. Property related taxes received by the City amounted to 106% of the budget. The amount of Sales Tax collected was 75% of the sales tax revenue budget and was 7% less than the amount collected for the same period last year. Business license and other permit collections were 95% of the budgeted amount, a 3% increase over the same period last year. Business license renewal fees were due in July; therefore the higher percent of budget collected early in the year is normal. Motor Vehicle-in-Lieu revenues were only \$1,247,053, or 60% of the budgeted amount, which was 27% less than the amount received at this time last year. This drop in Motor Vehicle-in-Lieu fees was caused by the State's elimination of the "State backfill" for these fees for at least a three month period, resulting in much lower fees received by the City. A somewhat higher level of Motor Vehicle-in-Lieu fees should be received by the City over the rest of the fiscal year. As of this date, the State's fiscal crisis continues to make this process complicated and problematic. Interest & Other Revenue were 81% of budget and reflect interest earnings only through March, since earnings for the month of April will be posted following the end of the fourth quarter in June.
- \* The General Fund expenditures and encumbrances to date totaled 79% of the budgeted appropriations. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- \* **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first three quarters of the current year amounted to \$668,281, or 75% of budget, which was 1% more than the amount received in the prior year by this point. Taxes for the fourth quarter ended June 30 will be received by the City after the end of the quarter.
- \* **Community Development** - Revenues were 101% of budget, which was 8% more than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 100% of budget; Building has expended or encumbered 71% of budget and Engineering 78%. Community Development has expended or encumbered a combined total of 84% of the 2003/04 budget, including \$342,177 in encumbrances. If encumbrances were excluded, Community Development would have spent only 74% of the combined budget.
- \* **RDA and Housing** - Property tax increment revenues amounting to \$16,460,227 have been received as of April 30, 2004. Expenditures plus encumbrances totaled 72% of budget. If encumbrances totaling \$6,557,582 were excluded, the RDA would have spent only 59% of the combined budget. In July, the RDA spent \$3.4 million toward the Courthouse Project acquisition and, in March, spent another \$875,000 toward construction of the Courthouse Project. In August, the Agency made a \$2.55 million installment payment toward the purchase of the Sports Fields Complex property. In April, the Agency made the final installment payment of \$3,250,000 on the Gunderson property. In July, the Agency made a \$3 million loan to South County Housing for the Royal Court Housing. Through April 30, 2004, \$5.6 million in costs had been incurred associated with the construction of the Aquatics Complex Project.



CITY OF MORGAN HILL, CALIFORNIA  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04  
FOR THE MONTH OF APRIL 2004 - 83% OF YEAR COMPLETE

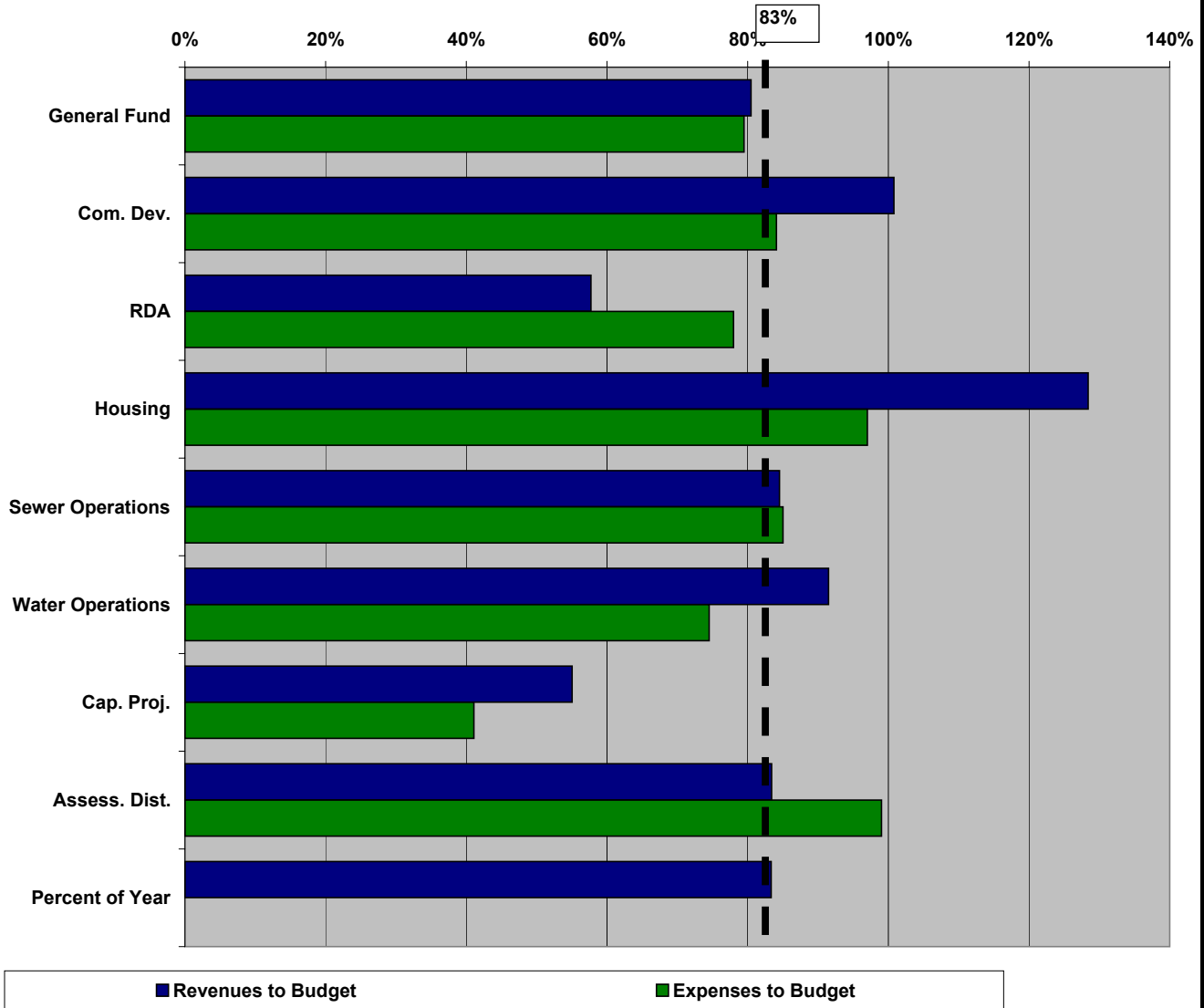
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- \* **Water and Sewer Operations-** Water Operations revenues, including service fees, were 91% of budget. Expenditures totaled 75% of appropriations. Sewer Operations revenues, including service fees, were 85% of budget. Expenditures for sewer operations were 85% of budget.
- \* **Investments maturing/called/sold during this period.** - During the month of April, \$2 million of the City's Federal Agency investments was called and \$8 million was invested in new Federal Agency investments. Further details of all City investments are contained on pages 6-8 of this report.



# Morgan Hill YTD Revenue & Expense Summary

April 30, 2004 – 83% Year Complete



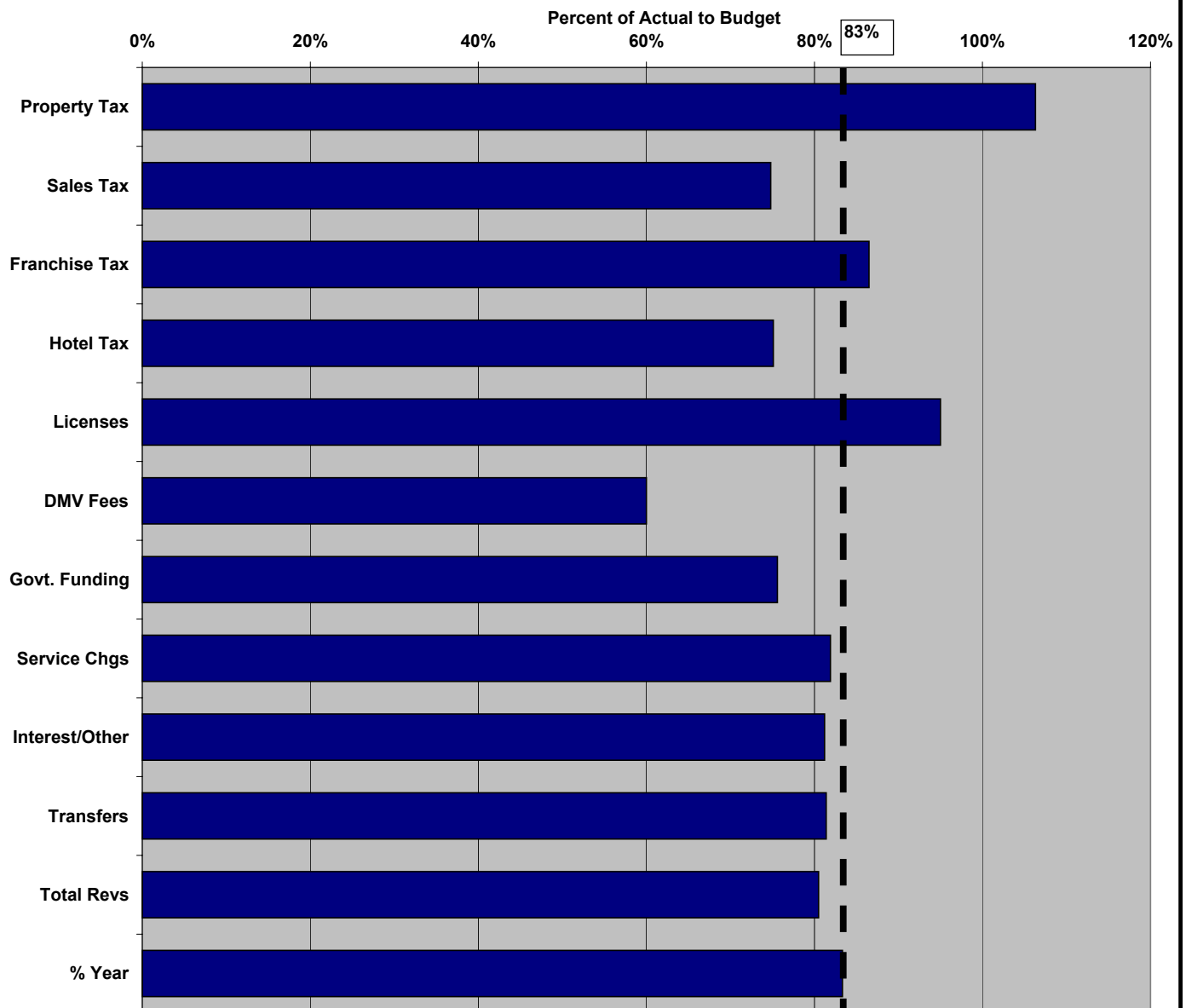
FUND NAME	REVENUES		EXPENSES		4/30/2004 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$12,936,206	80%	\$13,250,087	79%	\$10,822,624
Community Development	2,319,754	101%	2,785,754	84%	1,085,730
RDA	13,584,383	58%	31,864,460	78%	316,257
Housing/CDBG	5,127,578	128%	4,839,901	97%	6,822,253
Sewer Operations	4,638,627	85%	6,388,920	85%	3,284,803
Sewer Other	2,620,887	211%	1,565,634	29%	12,403,688
Water Operations	6,472,099	91%	5,937,004	75%	3,113,896
Water Other	1,544,860	142%	3,498,330	50%	2,656,556
Other Special Revenues <sup>1</sup>	702,369	86%	1,302,820	50%	2,442,529
Capital Projects & Streets Funds	7,445,047	55%	9,384,308	41%	22,869,680
Debt Service Funds	131,481	83%	234,019	99%	405,841
Internal Service	3,355,501	81%	3,340,995	82%	4,613,210
Agency	2,149,522	80%	4,592,519	176%	2,757,721
<b>TOTAL FOR ALL FUNDS</b>	<b>\$63,028,314</b>	<b>77%</b>	<b>\$88,984,751</b>	<b>68%</b>	<b>\$73,594,788</b>

<sup>1</sup> Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



# Morgan Hill YTD General Fund Revenues

April 30, 2004 – % Year Complete

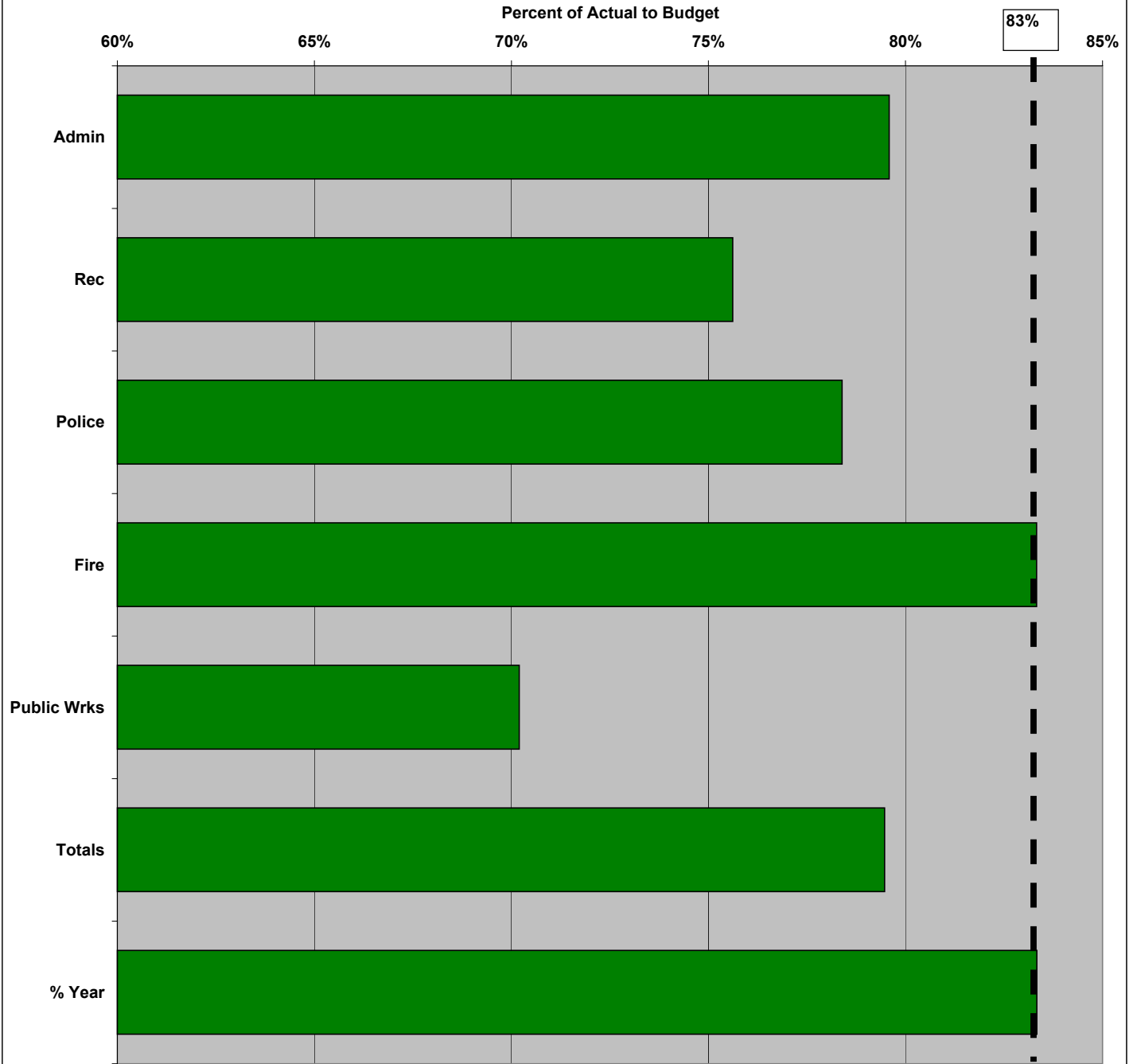


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$2,440,000	\$2,593,476	106%	\$2,194,426	18%
SALES TAXES	\$4,923,000	\$3,681,859	75%	\$3,966,613	-7%
FRANCHISE FEE	\$961,180	\$831,596	87%	\$837,592	-1%
HOTEL TAX	\$890,000	\$668,281	75%	\$663,272	1%
LICENSES/PERMITS	\$202,600	\$192,434	95%	\$187,579	3%
MOTOR VEHICLE IN LIEU	\$2,080,000	\$1,247,053	60%	\$1,707,188	-27%
FUNDING - OTHER GOVERNMENTS	\$271,900	\$205,617	76%	\$78,998	160%
CHARGES CURRENT SERVICES	\$2,588,137	\$2,119,563	82%	\$1,851,793	14%
INTEREST & OTHER REVENUE	\$893,050	\$725,603	81%	\$561,946	29%
TRANSFERS IN	\$823,986	\$670,724	81%	\$762,776	-12%
TOTALS	\$16,073,853	\$12,936,206	81%	\$12,812,183	1%



# Morgan Hill YTD General Fund Expenditures

April 30, 2004 – 83% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	3,279,302	2,689,710	80%
RECREATION	2,012,348	1,521,641	76%
POLICE	6,812,300	5,340,305	78%
FIRE	3,745,220	3,120,814	83%
PUBLIC WORKS	822,840	577,617	70%
TOTALS	\$ 16,672,844	\$ 13,250,087	79%



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2003/04**  
**For the Month of April 2004**  
**83% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-03	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
010	GENERAL FUND	\$11,136,505	\$12,936,206	80%	\$12,865,848	77%	\$70,358	\$384,239	\$10,822,624	\$11,163,821	\$4,150
<b>TOTAL GENERAL FUND</b>		<b>\$11,136,505</b>	<b>\$12,936,206</b>	<b>80%</b>	<b>\$12,865,848</b>	<b>77%</b>	<b>\$70,358</b>	<b>\$384,239</b>	<b>\$10,822,624</b>	<b>\$11,163,821</b>	<b>\$4,150</b>
202	STREET MAINTENANCE	\$1,683,131	\$1,510,042	110%	\$1,892,575	66%	(\$382,533)	\$372,390	\$928,208	\$1,213,843	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$485,350	\$107,119	97%	\$227,985	83%	(\$120,866)		\$364,484	\$364,485	
206	COMMUNITY DEVELOPMENT	\$1,551,730	\$2,319,754	101%	\$2,443,577	74%	(\$123,823)	\$342,177	\$1,085,730	\$1,464,646	
207	GENERAL PLAN UPDATE	\$190,845	\$85,674	113%	\$57,324	29%	\$28,350	\$89,411	\$129,784	\$219,284	
210	COMMUNITY CENTER	\$360,157	\$3,892	63%	\$260,000	83%	(\$256,108)		\$104,049	\$104,050	
215 / 216	CDBG	\$636,136	\$30,882	20%	\$152,531	33%	(\$121,649)	528,995	(\$14,508)	\$117,408	
220	MUSEUM RENTAL	\$1,274	\$8	20%	\$1,865	77%	(\$1,857)		(\$583)	(\$584)	
225	ASSET SEIZURE	\$38,096	\$1,992	342%	n/a	n/a	\$1,992		\$40,088	\$40,088	
229	LIGHTING AND LANDSCAPE	\$33,766	\$68,778	54%	\$125,880	75%	(\$57,102)	\$20,317	(\$43,653)	(\$23,048)	
232	ENVIRONMENT PROGRAMS	\$613,697	\$317,486	82%	\$297,688	60%	\$19,798	\$68,526	\$564,969	\$636,030	
234	MOBILE HOME PK RENT STAB.	\$9,808	\$54,722	97%	\$90,930	101%	(\$36,208)	\$22,153	(\$48,553)	(\$26,400)	
235	SENIOR HOUSING	\$255,610	\$4,106	60%	\$6,450	45%	(\$2,344)		\$253,266	\$253,267	
236	HOUSING MITIGATION	\$1,043,306	\$31,951	115%	\$13,340	1%	\$18,611	1,660	\$1,060,257	\$1,061,916	
240	EMPLOYEE ASSISTANCE	\$8,921	\$26,641	132%	\$17,141	86%	\$9,500		\$18,421	\$15,812	
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>\$6,911,827</b>	<b>\$4,563,047</b>	<b>98%</b>	<b>\$5,587,286</b>	<b>60%</b>	<b>(\$1,024,239)</b>	<b>\$1,445,629</b>	<b>\$4,441,959</b>	<b>\$5,440,797</b>	
301	PARK DEV. IMPACT FUND	\$3,191,630	\$873,315	201%	\$346,374	16%	\$526,941	\$112,498	\$3,606,073		\$3,718,571
302	PARK MAINTENANCE	\$2,909,243	\$295,858	115%	\$150,000	75%	\$145,858		\$3,055,101	\$3,055,101	
303	LOCAL DRAINAGE	\$2,910,954	\$200,813	69%	\$4,932	0%	\$195,881	\$103,881	\$3,002,954		\$3,106,834
304	LOCAL DRAINAGE/NON-AB1600	\$3,276,514	\$135,702	86%	\$99,586	46%	\$36,116	\$7,642	\$3,304,988	\$3,192,630	
305	OFF-STREET PARKING	\$4,020	\$65	68%	4,058	102%	(\$3,993)		\$27	\$27	
306	OPEN SPACE	\$458,488	\$144,192	251%			\$144,192	\$10,000	\$592,680	\$602,680	
309	TRAFFIC IMPACT FUND	\$2,826,115	\$1,375,001	208%	\$630,123	31%	\$744,878	\$455,065	\$3,115,928		\$3,556,459
311	POLICE IMPACT FUND	\$1,183,045	\$102,229	198%	\$24,471	2%	\$77,758	\$10,000	\$1,250,803		\$1,260,803
313	FIRE IMPACT FUND	\$2,603,859	\$220,307	149%	\$519,992	94%	(\$299,685)	\$9,101	\$2,295,073		\$2,304,174
317	REDEVELOPMENT AGENCY	\$20,860,548	\$13,584,383	58%	\$25,373,807	62%	(\$11,789,424)	8,754,867	\$316,257	\$6,823,056	
327 / 328	HOUSING	\$24,240,428	\$5,096,696	133%	\$4,492,084	48%	\$604,612	18,008,279	\$6,836,761	\$6,909,240	
340	MORGAN HILL BUS.RANCH I	\$48,290	\$781	68%			\$781		\$49,071	\$49,071	
342	MORGAN HILL BUS.RANCH II	\$54,233	877	n/a			\$877		\$55,110	\$55,109	
346	PUBLIC FACILITIES NON-AB1600	\$1,332,714	\$1,950,076	20%	1,944,402		\$5,674	\$1,503,717	(\$165,329)	\$1,150,888	
347	PUBLIC FACILITIES IMPACT FUND	\$665,032	\$494,142	317%	\$146,605	15%	\$347,537	824,252	\$188,317		\$975,900
348	LIBRARY IMPACT FUND	\$414,456	\$68,167	221%	\$187	83%	\$67,980		\$482,436		\$482,436
350	UNDERGROUNDING	\$1,257,217	61,802	196%	\$178,707	41%	(\$116,905)	43,750	\$1,096,562	\$1,140,210	
360	COMM/REC CTR IMPACT FUND		11,678	196%		41%	\$11,678		\$11,678	\$11,678	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$68,236,786</b>	<b>\$24,616,084</b>	<b>62%</b>	<b>\$33,915,328</b>	<b>48%</b>	<b>(\$9,299,244)</b>	<b>\$29,843,052</b>	<b>\$29,094,490</b>	<b>\$22,989,690</b>	<b>\$15,405,177</b>
527	HIDDEN CREEK			n/a							
533	DUNNE/CONDIT			n/a							
536	ENCINO HILLS	\$68,027	\$1,099	67%			\$1,099		\$69,126	\$69,126	
539	MORGAN HILL BUS. PARK	\$11,867	\$191	43%			\$191		\$12,058	\$12,058	
542	SUTTER BUSINESS PARK	\$24,910	\$403	55%			\$403		\$25,313	\$25,313	
545	COCHRANE BUSINESS PARK	\$374,418	\$111,840	93%	\$194,136	99%	(\$82,296)		\$292,122	\$111,172	\$180,950
551	JOLEEN WAY	\$29,157	\$17,948	51%	\$39,883	98%	(\$21,935)		\$7,222	(\$10,028)	\$17,250
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>\$508,379</b>	<b>\$131,481</b>	<b>83%</b>	<b>\$234,019</b>	<b>99%</b>	<b>(\$102,538)</b>		<b>\$405,841</b>	<b>\$207,641</b>	<b>\$198,200</b>



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2003/04**  
**For the Month of April 2004**  
**83% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-03	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
640	SEWER OPERATIONS	\$16,004,091	\$4,638,627	85%	\$6,303,006	84%	(\$1,664,379)	\$11,054,909	\$3,284,803	\$2,947,018	\$1,893,414
641	SEWER IMPACT FUND	\$7,772,110	\$2,138,915	341%	\$585,044	16%	\$1,553,871	3,243,258	\$6,082,723		\$6,240,368
642	SEWER RATE STABILIZATION	\$3,804,228	\$61,487	69%	\$1,974	83%	\$59,513		\$3,863,741	\$3,863,741	
643	SEWER-CAPITAL PROJECTS	\$9,683,556	\$420,485	80%	\$536,412	33%	(\$115,927)	7,110,405	\$2,457,224	\$2,862,693	
650	WATER OPERATIONS	\$21,476,576	\$6,472,099	91%	\$5,288,893	15%	\$1,183,206	\$19,545,886	\$3,113,896	\$2,989,899	\$390,681
651	WATER IMPACT FUND	\$3,271,280	\$952,878	144%	\$1,011,270	38%	(\$58,392)	3,697,877	(\$484,990)		(\$173,275)
652	WATER RATE STABILIZATION	\$867,428	\$8,763	43%	\$708,792	83%	(\$700,029)		\$167,399	\$167,399	
653	WATER -CAPITAL PROJECT	\$9,092,130	\$583,219	145%	\$733,670	25%	(\$150,451)	5,967,532	\$2,974,147	\$3,707,030	
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$71,971,399</b>	<b>\$15,276,473</b>	<b>103%</b>	<b>\$15,169,061</b>	<b>56%</b>	<b>\$107,412</b>	<b>\$50,619,867</b>	<b>\$21,458,943</b>	<b>\$16,537,780</b>	<b>\$8,351,188</b>
730	DATA PROCESSING	\$436,026	\$204,386	83%	\$164,499	63%	\$39,887	107,080	\$368,833	\$423,850	
740	BUILDING MAINTENANCE	\$400,151	\$743,987	83%	\$358,100	54%	\$385,887	29,198	\$756,840	\$798,160	
745	CIP ADMINISTRATION	\$59,437	\$1,072,180	74%	\$1,071,949	69%	\$231	114,134	(\$54,466)	\$101,312	
760	UNEMPLOYMENT INS.	\$47,278	\$7,363	25%	\$28,318	94%	(\$20,955)		\$26,323	\$26,323	
770	WORKER'S COMP.	\$6,147	\$604,665	88%	\$654,947	89%	(\$50,282)	28,950	(\$73,085)	\$508,485	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,379,971	\$206,061	77%	\$43,465	17%	\$162,596	762,599	\$2,779,968	\$2,988,535	
793	CORPORATION YARD	\$264,851	\$190,253	119%	\$160,556	94%	\$29,697	286,907	\$7,641	\$36,845	
795	GEN'L LIABILITY INS.	\$856,668	\$326,606	84%	\$382,118	103%	(\$55,512)		\$801,156	\$1,126,972	
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$5,450,529</b>	<b>\$3,355,501</b>	<b>81%</b>	<b>\$2,863,952</b>	<b>71%</b>	<b>\$491,549</b>		<b>\$4,613,210</b>	<b>\$6,010,482</b>	<b>\$40,000</b>
820	SPECIAL DEPOSITS									\$873,733	
841	M.H. BUS.RANCH A.D.	\$1,649,856	\$383,355	52%	\$2,009,609	278%	(\$1,626,254)		\$23,602	\$23,605	
842	M.H. BUS. RANCH II A.D.	\$107,240	\$36,550	98%	\$141,237	364%	(\$104,687)		\$2,553	\$2,553	
843	M.H. BUS. RANCH 1998	\$1,492,569	\$418,598	140%	\$872,399	100%	(\$453,801)		\$1,038,768	\$153,872	\$884,897
844	MH RANCH RSMNT 2004A		\$760,503		\$590,080	n/a	\$170,423		\$170,423	\$404	\$170,017
845	MADRONE BP-TAX EXEMPT	\$1,312,253	\$399,574		\$808,162	101%	(\$408,588)		\$903,665	\$105,403	\$798,262
846	MADRONE BP-TAXABLE	\$256,944	\$83,881	80%	\$171,032	99%	(\$87,151)		\$169,792	\$15,671	\$154,122
848	TENNANT AVE.BUS.PK A.D.	\$360,919	\$66,717	140%		na	\$66,717		\$427,636	\$427,634	
881	POLICE DONATION TRUST FUND	\$20,938	\$344	140%			\$344		\$21,282		\$21,283
<b>TOTAL AGENCY FUNDS</b>		<b>\$5,200,719</b>	<b>\$2,149,522</b>	<b>80%</b>	<b>\$4,592,519</b>	<b>176%</b>	<b>(\$2,442,997)</b>		<b>\$2,757,721</b>	<b>\$1,602,875</b>	<b>\$2,028,581</b>
<b>SUMMARY BY FUND TYPE</b>											
GENERAL FUND GROUP		\$11,136,505	\$12,936,206	80%	\$12,865,848	77%	\$70,358	\$384,239	\$10,822,624	\$11,163,821	\$4,150
SPECIAL REVENUE GROUP		\$6,911,827	\$4,563,047	98%	\$5,587,286	60%	(\$1,024,239)	\$1,445,629	\$4,441,959	\$5,440,797	
DEBT SERVICE GROUP		\$508,379	\$131,481	83%	\$234,019	99%	(\$102,538)		\$405,841	\$207,641	\$198,200
CAPITAL PROJECTS GROUP		\$68,236,786	\$24,616,084	62%	\$33,915,328	48%	(\$9,299,244)	\$29,843,052	\$29,094,490	\$22,989,690	\$15,405,177
ENTERPRISE GROUP		\$71,971,399	\$15,276,473	103%	\$15,169,061	56%	\$107,412	\$50,619,867	\$21,458,943	\$16,537,780	\$8,351,188
INTERNAL SERVICE GROUP		\$5,450,529	\$3,355,501	81%	\$2,863,952	71%	\$491,549		\$4,613,210	\$6,010,482	\$40,000
AGENCY GROUP		\$5,200,719	\$2,149,522	80%	\$4,592,519	176%	(\$2,442,997)		\$2,757,721	\$1,602,875	\$2,028,581
<b>TOTAL ALL GROUPS</b>		<b>\$169,416,144</b>	<b>\$63,028,314</b>	<b>77%</b>	<b>\$75,228,013</b>	<b>58%</b>	<b>(\$12,199,699)</b>	<b>\$82,292,787</b>	<b>\$73,594,788</b>	<b>\$63,953,086</b>	<b>\$26,027,296</b>
<b>TOTAL CASH AND INVESTMENTS</b>										<b>\$89,980,382</b>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

<sup>1</sup> Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

<sup>2</sup> Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



**CITY OF MORGAN HILL CASH AND INVESTMENT REPORT**  
**FOR THE MONTH OF APRIL 2004**  
**FOR THE FISCAL YEAR OF 2003-04**

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
<b>Investments</b>						
State Treasurer LAIF - City	All Funds Pooled	1.44%	\$32,488,757		36.11%	\$32,513,272
- RDA	RDA	1.44%	\$8,462,440		9.40%	\$8,468,826
- Corp Yard	Corp Yard	1.44%	\$52,203		0.06%	\$52,243
Federal Issues	All Funds Pooled	3.20%	\$41,245,149		45.84%	\$40,705,580
SVNB CD	All Funds Pooled	1.70%	\$2,000,000		2.22%	\$2,000,000
Money Market	All Funds Pooled	0.82%	\$250	\$84,248,799	0.00%	\$250
<b>Bond Reserve Accounts - held by trustees</b>						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,399			
Blackrock Provident Temp Fund		0.75%	\$44,014		2.10%	\$1,893,414 *
US Bank - 1999 Water C.O.P.						
First American Treasury Obligation	Water	0.47%	\$390,681		0.43%	\$390,681 *
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	0.47%	\$884,897		0.98%	\$884,897 *
US Bank - Madrone Bus Park Tax Exempt	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	0.47%	\$798,262		0.89%	\$798,262 *
US Bank - Madrone Bus Park Taxable	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	0.47%	\$154,122		0.17%	\$154,122 *
BNY - MH Ranch 2004 A	MH Ranch Bus Park					
Blackrock Provident Temp Fund	Agency Fund	0.75%	\$170,017	\$4,291,392	0.19%	\$170,017
<b>Checking Accounts</b>						
General Checking	All Funds		\$1,396,041		1.55%	\$1,396,041
Dreyfuss Treas Cash Management Account	All Funds				0.00%	\$0
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$4,150	\$1,440,191	0.00%	\$4,150
<b>Total Cash and Investments</b>			<b>\$89,980,382</b>	<b>\$89,980,382</b>	<b>100.00%</b>	<b>\$89,471,755</b>
<b>MH Financing Authority Investment in</b>		1.75% to				
<b>MH Ranch AD Imprvmt Bond Series 2004</b>		4.50%	<b>\$4,795,000</b>			<b>Unavailable</b>

**CASH ACTIVITY SUMMARY**  
**FY 03/04**

Fund Type	7/1/2003 Balance	Change in Cash Balance	04/30/04 Balance	Restricted	Unrestricted
General Fund	\$11,198,677	(\$30,706)	\$11,167,971	\$4,150	\$11,163,821
Community Development	\$1,598,168	(\$133,522)	\$1,464,646	\$0	\$1,464,646
RDA (except Housing)	\$18,789,948	(\$11,966,892)	\$6,823,056	\$0	\$6,823,056
Housing / CDBG	\$6,264,517	\$762,131	\$7,026,648	\$0	\$7,026,648
Water - Operations	\$2,197,360	\$1,183,220	\$3,380,580	\$390,681	\$2,989,899
Water Other	\$4,882,333	(\$1,181,179)	\$3,701,154	-\$173,275	\$3,874,429
Sewer - Operations	\$6,399,908	(\$1,559,476)	\$4,840,432	\$1,893,414	\$2,947,018
Sewer Other	\$11,899,860	\$1,066,941	\$12,966,801	\$6,240,368	\$6,726,433
Other Special Revenue	\$3,011,901	(\$367,001)	\$2,644,900	\$0	\$2,644,900
Streets and Capital Projects (except RDA)	\$24,402,072	\$1,474,343	\$25,876,415	\$15,405,177	\$10,471,238
Assessment Districts	\$504,821	(\$98,980)	\$405,841	\$198,200	\$207,641
Internal Service	\$5,993,387	\$57,095	\$6,050,482	\$40,000	\$6,010,482
Agency Funds	<u>\$5,943,872</u>	<u>(\$2,312,416)</u>	<u>\$3,631,456</u>	<u>\$2,028,581</u>	<u>\$1,602,875</u>
<b>Total</b>	<b><u>\$103,086,824</u></b>	<b><u>(\$13,106,442)</u></b>	<b><u>\$89,980,382</u></b>	<b><u>\$26,027,296</u></b>	<b><u>\$63,953,086</u></b>

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.  
 \*Market Value as of 03/31/04

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: \_\_\_\_\_  
 Lourdes Reroma  
 Accountant I

Approved by: \_\_\_\_\_  
 Jack Dilles  
 Director of Finance

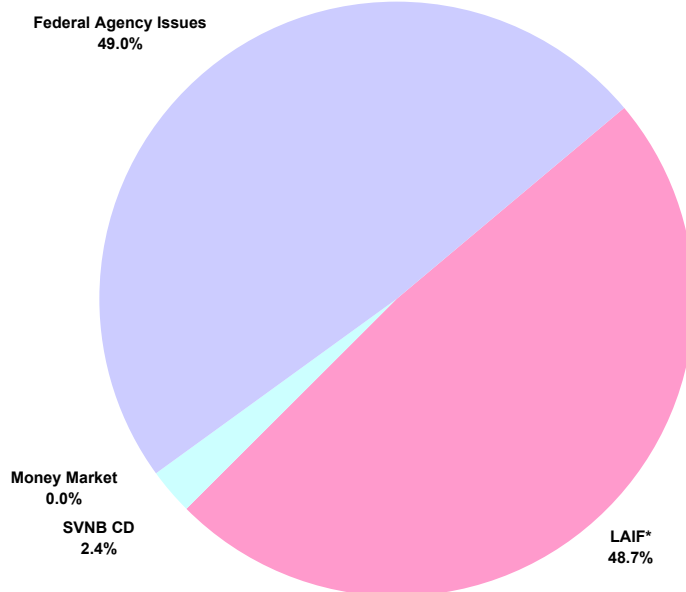
Verified by: \_\_\_\_\_  
 Tina Reza  
 Assistant Director of Finance

\_\_\_\_\_  
 Mike Roorda  
 City Treasurer



## CITY OF MORGAN HILL

### INVESTMENT PORTFOLIO DETAIL as of 04/30/04



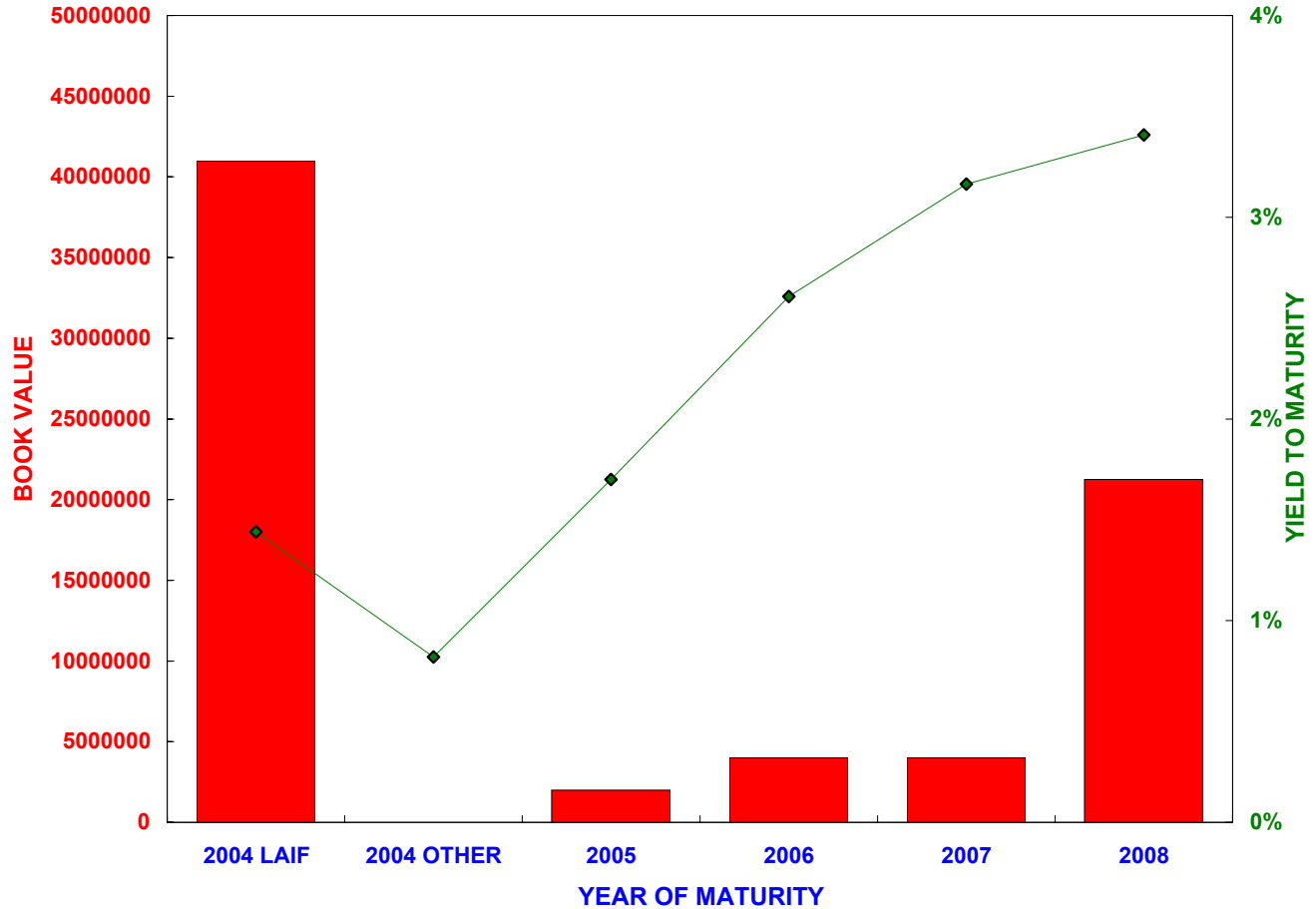
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
<b>LAIF*</b>		<b>\$41,003,399</b>	<b>48.67%</b>	<b>\$41,034,342</b>	<b>1.440%</b>	<b>\$584,264</b>			<b>0.003</b>
<b>SVNB CD</b>	07/07/03	<b>\$2,000,000</b>	<b>2.37%</b>	<b>\$2,000,000</b>	<b>1.700%</b>	<b>\$28,239</b>		07/07/05	<b>1.266</b>
<b>Federal Agency Issues</b>									
Fed Home Loan Bank	02/26/04	\$2,000,000	2.37%	\$2,001,260	2.563%	\$9,154	05/26/04	05/26/06	2.068
Fed Home Loan Bank	03/29/04	\$2,000,000	2.37%	\$1,967,500	2.650%	\$4,753	09/29/04	12/29/06	2.663
Fed Home Loan Bank	03/18/04	\$2,000,000	2.37%	\$1,986,880	3.030%	\$7,246	06/18/04	06/18/07	3.132
Fed Home Loan Bank	03/29/04	\$2,000,000	2.37%	\$1,959,380	3.300%	\$5,918	09/28/04	12/28/07	3.660
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.37%	\$1,993,860	3.500%	\$58,397	09/12/04	03/12/08	3.866
Fed Home Loan Bank	03/26/03	\$2,000,000	2.37%	\$1,984,380	3.375%	\$56,311	anytime	03/26/08	3.904
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.37%	\$1,996,420	3.600%	\$60,000	10/16/04	04/16/08	3.962
Fed Home Loan Mgt Corp	04/17/03	\$1,995,149	2.37%	\$1,990,160	3.625%	\$62,518	10/17/04	04/17/08	3.964
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.37%	\$1,967,500	3.210%	\$53,500	06/03/04	06/03/08	4.093
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.37%	\$1,947,500	2.950%	\$49,167	07/30/04	06/12/08	4.118
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,946,260	3.000%	\$45,165	07/30/04	07/30/08	4.249
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,966,260	3.243%	\$49,230	07/30/04	07/30/08	4.249
Fed Home Loan Bank	07/30/03	\$2,000,000	2.37%	\$1,975,620	3.400%	\$51,187	07/30/04	07/30/08	4.249
Fed Home Loan Bank	08/14/03	\$1,250,000	1.48%	\$1,245,700	3.690%	\$32,820	05/14/04	08/14/08	4.290
Fed Home Loan Bank	10/15/03	\$2,000,000	2.37%	\$2,004,380	4.000%	\$21,749	10/15/04	10/15/08	4.460
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.37%	\$1,923,760	3.650%	\$9,125	06/16/04	03/16/09	4.877
Fed Home Loan Bank	04/06/04	\$2,000,000	2.37%	\$1,960,620	3.625%	\$4,952	10/06/04	04/06/09	4.934
Fed Home Loan Bank	04/07/04	\$2,000,000	2.37%	\$1,958,760	3.600%	\$4,721	07/07/04	04/07/09	4.937
Fed National Mortgage	04/16/04	\$2,000,000	2.37%	\$1,973,760	3.750%	\$3,074	07/16/04	04/16/09	4.962
Fed Home Loan Bank	04/29/04	\$2,000,000	2.37%	\$1,967,500	3.750%	\$410	07/29/04	04/29/09	4.997
Fed Home Loan Bank	03/26/04	\$2,000,000	2.37%	\$1,988,120	4.000%	\$8,485	05/26/04	06/26/09	4.904
Redeemed FY 03/04						\$352,213			
<b>Sub Total/Average</b>		<b>\$41,245,149</b>	<b>48.96%</b>	<b>\$40,705,580</b>	<b>3.204%</b>	<b>\$950,095</b>			<b>4.000</b>
<b>Money Market</b>									
		<b>\$250</b>	<b>0.00%</b>	<b>\$250</b>	<b>0.820%</b>	<b>\$8,187</b>			<b>0.003</b>
<b>TOTAL/AVERAGE</b>		<b>\$84,248,799</b>	<b>100.00%</b>	<b>\$83,740,172</b>	<b>2.406%</b>	<b>\$1,570,785</b>			<b>1.753</b>

\*Per State Treasurer Report dated 03/31/2004, LAIF had invested approximately 14% of its balance in Treasury Bills and Notes, 17% in CDs, 19% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 50% in others.



# CITY OF MORGAN HILL

## INVESTMENT MATURITIES AS OF APRIL 30, 2004



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2004 LAIF	\$41,003,399	\$41,034,342	1.440%	48.67%
2004 OTHER	\$250	\$250	0.820%	0.00%
2005	\$2,000,000	\$2,000,000	1.700%	2.37%
2006	\$4,000,000	\$3,968,760	2.607%	4.75%
2007	\$4,000,000	\$3,946,260	3.165%	4.75%
2008	\$21,245,149	\$21,018,040	3.408%	25.22%
2009	\$12,000,000	\$11,772,520	3.729%	14.24%
TOTAL	\$84,248,799	\$83,740,172	2.406%	100.00%



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>010 GENERAL FUND</b>							
<b><u>TAXES</u></b>							
Property Taxes - Secured/Unsecured/Prio	1,972,200	1,972,200	2,169,720	110%	1,883,910	285,810	15%
Supplemental Roll	200,000	200,000	102,314	51%	123,446	(21,132)	-17%
Sales Tax	4,650,000	4,650,000	3,502,947	75%	3,764,803	(261,856)	-7%
Public Safety Sales Tax	273,000	273,000	178,912	66%	201,810	(22,898)	-11%
Transient Occupancy Taxes	890,000	890,000	668,281	75%	663,272	5,009	1%
Franchise (Refuse ,Cable ,PG&E)	961,180	961,180	831,596	87%	837,592	(5,996)	-1%
Property Transfer Tax	267,800	267,800	321,442	120%	187,070	134,372	72%
<b>TOTAL TAXES</b>	<b>9,214,180</b>	<b>9,214,180</b>	<b>7,775,212</b>	<b>84%</b>	<b>7,661,903</b>	<b>113,309</b>	<b>1%</b>
<b><u>LICENSES/PERMITS</u></b>							
Business License	154,500	154,500	151,614	98%	147,170	4,444	3%
Other Permits	48,100	48,100	40,820	85%	40,409	411	1%
<b>TOTAL LICENSES/PERMITS</b>	<b>202,600</b>	<b>202,600</b>	<b>192,434</b>	<b>95%</b>	<b>187,579</b>	<b>4,855</b>	<b>3%</b>
<b><u>FINES AND PENALTIES</u></b>							
Parking Enforcement	13,400	13,400	11,360	85%	7,226	4,134	57%
City Code Enforcement	77,300	77,300	38,007	49%	44,718	(6,711)	-15%
Business tax late fee/other fines	2,600	2,600	1,248	48%	1,741	(493)	-28%
<b>TOTAL FINES AND PENALTIES</b>	<b>93,300</b>	<b>93,300</b>	<b>50,615</b>	<b>54%</b>	<b>53,685</b>	<b>(3,070)</b>	<b>-6%</b>
<b><u>OTHER AGENCIES</u></b>							
Motor Vehicle in-Lieu	2,080,000	2,080,000	1,247,053	60%	1,707,188	(460,135)	-27%
Other Revenue - Other Agencies	271,900	271,900	205,617	76%	78,998	126,619	160%
<b>TOTAL OTHER AGENCIES</b>	<b>2,351,900</b>	<b>2,351,900</b>	<b>1,452,670</b>	<b>62%</b>	<b>1,786,186</b>	<b>(333,516)</b>	<b>-19%</b>
<b><u>CHARGES CURRENT SERVICES</u></b>							
False Alarm Charge	24,700	24,700	17,289	70%	18,885	(1,596)	-8%
Business License Application Review	20,900	20,900	21,553	103%	21,542	11	0%
Recreation Classes	338,784	338,784	20,898	6%	85,950	(65,052)	-76%
General Administration Overhead	2,007,978	2,007,978	1,673,315	83%	1,546,612	126,703	8%
Other Charges Current Services	195,775	195,775	386,508	197%	178,804	207,704	116%
<b>TOTAL CURRENT SERVICES</b>	<b>2,588,137</b>	<b>2,588,137</b>	<b>2,119,563</b>	<b>82%</b>	<b>1,851,793</b>	<b>267,770</b>	<b>14%</b>
<b><u>OTHER REVENUE</u></b>							
Use of money/property	775,550	775,550	632,447	82%	459,312	173,135	38%
Other revenues	24,200	24,200	42,541	176%	48,949	(6,408)	-13%
<b>TOTAL OTHER REVENUE</b>	<b>799,750</b>	<b>799,750</b>	<b>674,988</b>	<b>84%</b>	<b>508,261</b>	<b>166,727</b>	<b>33%</b>
<b><u>TRANSFERS IN</u></b>							
Park Maintenance	200,000	200,000	150,000	75%	75,000	75,000	100%
Sewer Enterprise	17,500	17,500	14,583	83%	14,583	-	n/a
Water Enterprise	17,500	17,500	14,583	83%	14,583	-	n/a
Public Safety	273,000	273,000	227,500	83%	225,000	2,500	1%
Community Cultural Center	312,000	312,000	260,000	83%	433,610	(173,610)	-40%
Other Funds	3,986	3,986	4,058	102%	-	4,058	n/a
<b>TOTAL TRANSFERS IN</b>	<b>823,986</b>	<b>823,986</b>	<b>670,724</b>	<b>81%</b>	<b>762,776</b>	<b>(92,052)</b>	<b>-12%</b>
<b>TOTAL GENERAL FUND</b>	<b>16,073,853</b>	<b>16,073,853</b>	<b>12,936,206</b>	<b>80%</b>	<b>12,812,183</b>	<b>124,023</b>	<b>1%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>SPECIAL REVENUE FUNDS</b>							
<b><u>202 STREET MAINTENANCE</u></b>							
Gas Tax 2105 - 2107.5	653,400	653,400	550,057	84%	619,830	(69,773)	-11%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	700,000	575,000	82%	782,750	(207,750)	-27%
Project Reimbursement	-	-	358,108	n/a	70,402	287,706	409%
Interest / Other Revenue/Other Charges	14,861	14,861	26,877	181%	42,334	(15,457)	-37%
<b>202 STREET MAINTENANCE</b>	<b>1,368,261</b>	<b>1,368,261</b>	<b>1,510,042</b>	<b>110%</b>	<b>1,515,316</b>	<b>(5,274)</b>	<b>0%</b>
<b><u>204/205 PUBLIC SAFETY TRUST</u></b>							
Interest Income	9,956	9,956	7,119	72%	17,230	(10,111)	-59%
Police Grant/SLEF	100,000	100,000	100,000	100%	100,000	-	n/a
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip. Grant	-	-	-	n/a	20,765	(20,765)	-100%
Federal Police Grant (COPS)	-	-	-	n/a	17,874	(17,874)	-100%
Transfers In	-	834	-	n/a	-	-	n/a
<b>204/205 PUBLIC SAFETY TRUST</b>	<b>109,956</b>	<b>110,790</b>	<b>107,119</b>	<b>97%</b>	<b>155,869</b>	<b>(48,750)</b>	<b>-31%</b>
<b><u>206 COMMUNITY DEVELOPMENT</u></b>							
Building Fees	1,100,500	1,100,500	1,600,163	145%	1,117,361	482,802	43%
Planning Fees	616,496	616,496	392,213	64%	508,484	(116,271)	-23%
Engineering Fees	519,600	519,600	274,183	53%	480,785	(206,602)	-43%
Other Revenue/Current Charges	9,763	9,763	28,195	289%	47,941	(19,746)	-41%
Transfers	30,000	55,486	25,000	45%	-	25,000	n/a
<b>206 COMMUNITY DEVELOPMENT</b>	<b>2,276,359</b>	<b>2,301,845</b>	<b>2,319,754</b>	<b>101%</b>	<b>2,154,571</b>	<b>165,183</b>	<b>8%</b>
<b>207 GENERAL PLAN UPDATE</b>	<b>76,087</b>	<b>76,087</b>	<b>85,674</b>	<b>113%</b>	<b>100,863</b>	<b>(15,189)</b>	<b>-15%</b>
<b><u>215 and 216 HCD BLOCK GRANT</u></b>							
HCD allocation	152,000	152,000	24,178	16%	-	24,178	n/a
Interest Income/Other Revenue	3,900	3,900	6,704	172%	18,237	(11,533)	-63%
Transfers	782	782	-	n/a	-	-	n/a
<b>215 and 216 HCD BLOCK GRANT</b>	<b>156,682</b>	<b>156,682</b>	<b>30,882</b>	<b>20%</b>	<b>18,237</b>	<b>12,645</b>	<b>69%</b>
<b>210 COMMUNITY CENTER</b>	<b>6,198</b>	<b>6,198</b>	<b>3,892</b>	<b>63%</b>	<b>122,594</b>	<b>(118,702)</b>	<b>-97%</b>
<b>220 MUSEUM RENTAL</b>	<b>41</b>	<b>41</b>	<b>8</b>	<b>20%</b>	<b>74</b>	<b>(66)</b>	<b>-89%</b>
<b>225 ASSET SEIZURE</b>	<b>583</b>	<b>583</b>	<b>1,992</b>	<b>342%</b>	<b>1,246</b>	<b>746</b>	<b>60%</b>
<b>229 LIGHTING AND LANDSCAPE</b>	<b>127,770</b>	<b>127,770</b>	<b>68,778</b>	<b>54%</b>	<b>68,646</b>	<b>132</b>	<b>0%</b>
<b>232 ENVIRONMENTAL PROGRAMS</b>	<b>387,209</b>	<b>387,209</b>	<b>317,486</b>	<b>82%</b>	<b>320,921</b>	<b>(3,435)</b>	<b>-1%</b>
<b>234 MOBILE HOME PARK RENT STAB.</b>	<b>56,298</b>	<b>56,298</b>	<b>54,722</b>	<b>97%</b>	<b>16,122</b>	<b>38,600</b>	<b>239%</b>
<b>235 SENIOR HOUSING</b>	<b>6,897</b>	<b>6,897</b>	<b>4,106</b>	<b>60%</b>	<b>17,592</b>	<b>(13,486)</b>	<b>-77%</b>
<b>236 HOUSING MITIGATION</b>	<b>27,775</b>	<b>27,775</b>	<b>31,951</b>	<b>115%</b>	<b>27,519</b>	<b>4,432</b>	<b>16%</b>
<b>240 EMPLOYEE ASSISTANCE</b>	<b>20,162</b>	<b>20,162</b>	<b>26,641</b>	<b>132%</b>	<b>50,251</b>	<b>(23,610)</b>	<b>-47%</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>4,620,278</b>	<b>4,646,598</b>	<b>4,563,047</b>	<b>98%</b>	<b>4,569,821</b>	<b>(6,774)</b>	<b>0%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
301 PARK DEVELOPMENT	435,072	435,072	873,315	201%	410,419	462,896	113%
302 PARK MAINTENANCE	257,923	257,923	295,858	115%	303,490	(7,632)	-3%
303 LOCAL DRAINAGE	291,028	291,028	200,813	69%	318,799	(117,986)	-37%
304 LOCAL DRAINAGE/NON AB1600	157,378	157,378	135,702	86%	265,512	(129,810)	-49%
305 OFF-STREET PARKING	95	95	65	68%	104	(39)	-38%
306 OPEN SPACE	57,428	57,428	144,192	251%	6,575	137,617	2093%
309 TRAFFIC MITIGATION	662,507	662,507	1,375,001	208%	680,056	694,945	102%
311 POLICE MITIGATION	51,569	51,569	102,229	198%	75,674	26,555	35%
313 FIRE MITIGATION	147,884	147,884	220,307	149%	195,085	25,222	13%
<b>317 RDA CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	14,086,573	14,086,573	12,632,072	90%	12,614,818	17,254	0%
Development Agreements			-	n/a		-	n/a
Interest Income, Rents			193,739	n/a	274,470	(80,731)	-29%
Other Agencies/Current Charges	9,450,000	9,450,000	758,572	8%	45,243	713,329	1577%
<b>317 RDA CAPITAL PROJECTS</b>	<b>23,536,573</b>	<b>23,536,573</b>	<b>13,584,383</b>	<b>58%</b>	<b>12,934,531</b>	<b>649,852</b>	<b>5%</b>
<b>327/328 RDA L/M HOUSING</b>							
Property Taxes & Supplemental Roll	3,791,085	3,791,085	3,828,155	101%	3,471,489	356,666	10%
Interest Income, Rent	45,364	45,364	508,343	1121%	132,851	375,492	283%
Other	90	90	760,198	844664%	851	759,347	89230%
<b>327/328 RDA L/M HOUSING</b>	<b>3,836,539</b>	<b>3,836,539</b>	<b>5,096,696</b>	<b>133%</b>	<b>3,605,191</b>	<b>1,491,505</b>	<b>41%</b>
346 PUBLIC FACILITIES NON-AB1600	9,875,877	9,875,877	1,950,076	20%	254,050	1,696,026	668%
347 PUBLIC FACILITIES	46,900	155,861	494,142	317%	76,750	417,392	544%
348 LIBRARY	30,782	30,782	68,167	221%	37,327	30,840	83%
350 UNDERGROUNDING	31,495	31,495	61,802	196%	95,759	(33,957)	-35%
340 MORGAN HILL BUS.RANCH CIP I	1,144	1,144	781	68%	1,253	(472)	-38%
342 MORGAN HILL BUS.RANCH CIP II	1,282	1,282	877	68%	1,407	(530)	-38%
360 COMMUNITY/REC IMPACT FUND			11,678	n/a	-	11,678	n/a
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>39,421,476</b>	<b>39,530,437</b>	<b>24,616,084</b>	<b>62%</b>	<b>19,261,982</b>	<b>5,354,102</b>	<b>28%</b>
<b>DEBT SERVICE FUNDS</b>							
527 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
533 DUNNE AVE. / CONDIT ROAD	-	-	-	n/a	-	-	n/a
536 ENCINO HILLS	1,631	1,631	1,099	67%	1,755	(656)	-37%
539 MORGAN HILL BUSINESS PARK	447	447	191	43%	297	(106)	-36%
542 SUTTER BUSINESS PARK	730	730	403	55%	646	(243)	-38%
545 COCHRANE BUSINESS PARK	119,887	119,887	111,840	93%	125,042	(13,202)	-11%
551 JOLEEN WAY	34,955	34,955	17,948	51%	17,140	808	5%
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>157,650</b>	<b>157,650</b>	<b>131,481</b>	<b>83%</b>	<b>144,880</b>	<b>(13,399)</b>	<b>-9%</b>



City of Morgan Hill  
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For the Month of April 2004  
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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>ENTERPRISE FUNDS</b>							
<b>640 SEWER OPERATION</b>							
Sewer Service Fees	5,321,460	5,321,460	4,406,418	83%	4,176,984	229,434	5%
Interest Income	51,960	51,960	94,031	181%	121,935	(27,904)	-23%
Other Revenue/Current Charges	113,950	113,950	138,178	121%	114,177	24,001	21%
<b>640 SEWER OPERATION</b>	<b>5,487,370</b>	<b>5,487,370</b>	<b>4,638,627</b>	<b>85%</b>	<b>4,413,096</b>	<b>225,531</b>	<b>5%</b>
<b>641 SEWER EXPANSION</b>							
Interest Income	26,580	26,580	90,381	340%	146,045	(55,664)	-38%
Connection Fees	600,000	600,000	2,047,874	341%	602,745	1,445,129	240%
Other	-	-	660	n/a	660	-	n/a
<b>641 SEWER EXPANSION</b>	<b>626,580</b>	<b>626,580</b>	<b>2,138,915</b>	<b>341%</b>	<b>749,450</b>	<b>1,389,465</b>	<b>185%</b>
<b>642 SEWER RATE STABILIZATION</b>	<b>89,558</b>	<b>89,558</b>	<b>61,487</b>	<b>69%</b>	<b>308,725</b>	<b>(247,238)</b>	<b>-80%</b>
<b>643 SEWER-CAPITAL PROJECT</b>	<b>525,416</b>	<b>525,416</b>	<b>420,485</b>	<b>80%</b>	<b>465,028</b>	<b>(44,543)</b>	<b>-10%</b>
<b>TOTAL SEWER FUNDS</b>	<b>6,728,924</b>	<b>6,728,924</b>	<b>7,259,514</b>	<b>108%</b>	<b>5,936,299</b>	<b>1,323,215</b>	<b>22%</b>
<b>650 WATER OPERATION</b>							
Water Sales	5,738,350	5,738,350	5,064,605	88%	4,648,979	415,626	9%
Meter Install & Service	40,000	40,000	34,303	86%	41,963	(7,660)	-18%
Transfers-In, and Interest Income	1,045,785	1,045,785	922,711	88%	252,709	670,002	265%
Other Revenue/Current Charges	249,584	249,584	450,480	180%	287,683	162,797	57%
<b>650 WATER OPERATION</b>	<b>7,073,719</b>	<b>7,073,719</b>	<b>6,472,099</b>	<b>91%</b>	<b>5,231,334</b>	<b>1,240,765</b>	<b>24%</b>
<b>651 WATER EXPANSION</b>							
Interest Income/Other Revenue/Transfer	501,803	501,803	569,901	114%	362,487	207,414	57%
Water Connection Fees	160,000	160,000	382,977	239%	122,222	260,755	213%
<b>651 WATER EXPANSION</b>	<b>661,803</b>	<b>661,803</b>	<b>952,878</b>	<b>144%</b>	<b>484,709</b>	<b>468,169</b>	<b>97%</b>
<b>652 Water Rate Stabilization</b>	<b>20,517</b>	<b>20,517</b>	<b>8,763</b>	<b>43%</b>	<b>22,517</b>	<b>(13,754)</b>	<b>-61%</b>
<b>653 Water Capital Project</b>	<b>402,395</b>	<b>402,395</b>	<b>583,219</b>	<b>145%</b>	<b>1,001,959</b>	<b>(418,740)</b>	<b>-42%</b>
<b>TOTAL WATER FUNDS</b>	<b>8,158,434</b>	<b>8,158,434</b>	<b>8,016,959</b>	<b>98%</b>	<b>6,740,519</b>	<b>1,276,440</b>	<b>19%</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>14,887,358</b>	<b>14,887,358</b>	<b>15,276,473</b>	<b>103%</b>	<b>12,676,818</b>	<b>2,599,655</b>	<b>21%</b>
<b>INTERNAL SERVICE FUNDS</b>							
<b>730 INFORMATION SERVICES</b>	<b>245,262</b>	<b>245,262</b>	<b>204,386</b>	<b>83%</b>	<b>317,657</b>	<b>(113,271)</b>	<b>-36%</b>
<b>740 BUILDING MAINTENANCE SERVICES</b>	<b>891,042</b>	<b>891,042</b>	<b>743,987</b>	<b>83%</b>	<b>697,617</b>	<b>46,370</b>	<b>7%</b>
<b>745 CIP ADMINISTRATION</b>	<b>1,447,120</b>	<b>1,447,120</b>	<b>1,072,180</b>	<b>74%</b>	<b>971,788</b>	<b>100,392</b>	<b>10%</b>
<b>760 UNEMPLOYMENT INSURANCE</b>	<b>29,452</b>	<b>29,452</b>	<b>7,363</b>	<b>25%</b>	<b>-</b>	<b>7,363</b>	<b>n/a</b>
<b>770 WORKERS COMPENSATION</b>	<b>687,700</b>	<b>687,700</b>	<b>604,665</b>	<b>88%</b>	<b>361,662</b>	<b>243,003</b>	<b>67%</b>
<b>790 EQUIPMENT REPLACEMENT</b>	<b>198,367</b>	<b>268,313</b>	<b>206,061</b>	<b>77%</b>	<b>461,323</b>	<b>(255,262)</b>	<b>-55%</b>
<b>793 CORPORATION YARD COMMISSION</b>	<b>160,005</b>	<b>160,005</b>	<b>190,253</b>	<b>119%</b>	<b>1,048,178</b>	<b>(857,925)</b>	<b>-82%</b>
<b>795 GENERAL LIABILITY INSURANCE</b>	<b>389,927</b>	<b>389,927</b>	<b>326,606</b>	<b>84%</b>	<b>298,825</b>	<b>27,781</b>	<b>9%</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>4,048,875</b>	<b>4,118,821</b>	<b>3,355,501</b>	<b>81%</b>	<b>4,157,050</b>	<b>(801,549)</b>	<b>-19%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>AGENCY FUNDS</b>							
841 M.H. BUS.RANCH A.D. I	736,175	736,175	383,355	52%	270,418	112,937	42%
842 M.H. BUS.RANCH A.D. II	37,177	37,177	36,550	98%	18,455	18,095	98%
843 M.H. BUS.RANCH 1998	883,205	883,205	418,598	47%	466,530	(47,932)	-10%
844 M.H. RANCH REFUNDING 2004A			760,503	n/a	-	760,503	n/a
845 MADRONE BP-TAX EXEMPT	807,439	807,439	399,574	49%	387,782	11,792	3%
846 MADRONE BP-TAXABLE	167,254	167,254	83,881	50%	122,529	(38,648)	-32%
848 TENNANT AVE.BUS.PK A.D.	39,523	39,523	66,717	169%	39,234	27,483	70%
881 POLICE DONATION TRUST FUND	245	245	344	140%	543	(199)	-37%
<b>TOTAL AGENCY FUNDS</b>	<b>2,671,018</b>	<b>2,671,018</b>	<b>2,149,522</b>	<b>80%</b>	<b>1,305,491</b>	<b>844,031</b>	<b>65%</b>
<b>TOTAL FOR ALL FUNDS</b>	<b>81,880,508</b>	<b>82,085,735</b>	<b>63,028,314</b>	<b>77%</b>	<b>54,928,225</b>	<b>8,298,787</b>	<b>15%</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>010 GENERAL FUND</b>								
<b>I. GENERAL GOVERNMENT</b>								
<b>COUNCIL AND MISCELLANEOUS GOVT.</b>								
	City Council	16,136	194,400	194,400	173,490	18,992	192,482	99%
	Community Promotions	<u>1,493</u>	<u>31,542</u>	<u>31,542</u>	<u>17,399</u>	-	<u>17,399</u>	<u>55%</u>
	<b>COUNCIL AND MISCELLANEOUS GO</b>	<b>17,629</b>	<b>225,942</b>	<b>225,942</b>	<b>190,889</b>	<b>18,992</b>	<b>209,881</b>	<b>93%</b>
	<b>CITY ATTORNEY</b>	<b>74,738</b>	<b>615,917</b>	<b>615,917</b>	<b>477,344</b>	<b>98,317</b>	<b>575,661</b>	<b>93%</b>
<b>CITY MANAGER</b>								
	City Manager	39,859	391,162	391,162	306,177	-	306,177	78%
	Cable Television	1,267	45,236	46,986	37,292	7,370	44,662	95%
	Communications & Marketing	<u>11,824</u>	<u>106,576</u>	<u>111,834</u>	<u>80,487</u>	<u>5,825</u>	<u>86,312</u>	<u>77%</u>
	<b>CITY MANAGER</b>	<b>52,950</b>	<b>542,974</b>	<b>549,982</b>	<b>423,956</b>	<b>13,195</b>	<b>437,151</b>	<b>79%</b>
<b>RECREATION</b>								
	Recreation	56,799	455,503	463,468	398,124	46,200	444,324	96%
	Community & Cultural Center	56,352	739,223	766,023	435,266	118,442	553,708	72%
	Aquatics Center	36,715	273,890	354,890	64,673		64,673	18%
	Building Maintenance (CCC)	<u>59,572</u>	<u>416,108</u>	<u>427,967</u>	<u>427,603</u>	<u>31,333</u>	<u>458,936</u>	<u>107%</u>
	<b>RECREATION</b>	<b>209,438</b>	<b>1,884,724</b>	<b>2,012,348</b>	<b>1,325,666</b>	<b>195,975</b>	<b>1,521,641</b>	<b>76%</b>
<b>HUMAN RESOURCES</b>								
	Human Resources	54,556	582,687	582,687	454,499	515	455,014	78%
	Volunteer Programs	<u>2,505</u>	<u>34,442</u>	<u>34,442</u>	<u>19,163</u>	-	<u>19,163</u>	<u>56%</u>
	<b>HUMAN RESOURCES</b>	<b>57,061</b>	<b>617,129</b>	<b>617,129</b>	<b>473,662</b>		<b>474,177</b>	<b>77%</b>
<b>CITY CLERK</b>								
	City Clerk	23,592	302,672	303,533	195,280	860	196,140	65%
	Elections	<u>4,384</u>	<u>70,576</u>	<u>70,576</u>	<u>33,063</u>	-	<u>33,063</u>	<u>47%</u>
	<b>CITY CLERK</b>	<b>27,976</b>	<b>373,248</b>	<b>374,109</b>	<b>228,343</b>	<b>860</b>	<b>229,203</b>	<b>61%</b>
	<b>FINANCE</b>	<b>97,329</b>	<b>889,208</b>	<b>891,223</b>	<b>763,434</b>	<b>203</b>	<b>763,637</b>	<b>86%</b>
	<b>MEDICAL SERVICES</b>	-		<b>5,000</b>		-	-	n/a
	<b>TOTAL GENERAL GOVERNMENT</b>	<b>537,121</b>	<b>5,149,142</b>	<b>5,291,650</b>	<b>3,883,294</b>	<b>328,057</b>	<b>4,211,351</b>	<b>80%</b>
<b>II. PUBLIC SAFETY</b>								
<b>POLICE</b>								
	PD Administration	63,859	491,711	491,711	417,175		417,175	85%
	Patrol	353,842	3,207,070	3,274,188	2,536,213	18,827	2,555,040	78%
	Support Services	94,225	897,092	897,092	703,198	4,485	707,683	79%
	Emergency Services/Haz Mat	12,640	33,858	33,858	58,699	4,013	62,712	185%
	Special Operations	108,495	1,176,399	1,179,974	861,536	1,387	862,923	73%
	Animal Control	8,213	76,159	76,159	62,166	-	62,166	82%
	Dispatch Services	<u>128,328</u>	<u>858,218</u>	<u>859,318</u>	<u>671,506</u>	<u>1,100</u>	<u>672,606</u>	<u>78%</u>
	<b>POLICE</b>	<b>769,602</b>	<b>6,740,507</b>	<b>6,812,300</b>	<b>5,310,493</b>	<b>29,812</b>	<b>5,340,305</b>	<b>78%</b>
	<b>FIRE</b>	<b>312,081</b>	<b>3,745,220</b>	<b>3,745,220</b>	<b>3,120,814</b>	-	<b>3,120,814</b>	<b>83%</b>
	<b>TOTAL PUBLIC SAFETY</b>	<b>1,081,683</b>	<b>10,485,727</b>	<b>10,557,520</b>	<b>8,431,307</b>	<b>29,812</b>	<b>8,461,119</b>	<b>80%</b>
<b>III. COMMUNITY IMPROVEMENT</b>								
	<b>PARK MAINTENANCE</b>	<b>80,405</b>	<b>810,323</b>	<b>822,840</b>	<b>551,247</b>	<b>26,370</b>	<b>577,617</b>	<b>70%</b>
	<b>TOTAL COMMUNITY IMPROVEMENT</b>	<b>80,405</b>	<b>810,323</b>	<b>822,840</b>	<b>551,247</b>	<b>26,370</b>	<b>577,617</b>	<b>70%</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>IV. TRANSFERS</b>								
	Public Safety			834		-	-	n/a
						-	-	n/a
						-	-	<u>n/a</u>
<b>TOTAL TRANSFERS</b>		-	-	834	-	-	-	n/a
<b>TOTAL GENERAL FUND</b>		1,699,209	16,445,192	16,672,844	12,865,848	384,239	13,250,087	79%
<b>SPECIAL REVENUE FUNDS</b>								
<b>202 STREET MAINTENANCE</b>								
	Street Maintenance/Traffic	237,424	1,533,793	1,672,928	1,215,163	118,930	1,334,093	80%
	Congestion Management	5,520	78,868	78,868	48,902	-	48,902	62%
	Street CIP	<u>92,416</u>	<u>514,800</u>	<u>1,136,206</u>	<u>628,510</u>	<u>253,460</u>	<u>881,970</u>	<u>78%</u>
<b>202 STREET MAINTENANCE</b>		<b>335,360</b>	<b>2,127,461</b>	<b>2,888,002</b>	<b>1,892,575</b>	<b>372,390</b>	<b>2,264,965</b>	<b>78%</b>
<b>204/205 PUBLIC SAFETY/SUPP.LAW</b>		<b>22,799</b>	<b>273,582</b>	<b>273,582</b>	<b>227,985</b>		<b>227,985</b>	<b>83%</b>
<b>206 COMMUNITY DEVELOPMENT FUND</b>								
	Planning	114,333	979,437	1,224,253	1,004,186	220,051	1,224,237	100%
	Building	83,911	956,070	1,016,487	673,809	47,755	721,564	71%
	PW-Engineering	<u>107,601</u>	<u>1,029,375</u>	<u>1,072,275</u>	<u>765,582</u>	<u>74,371</u>	<u>839,953</u>	<u>78%</u>
<b>206 COMMUNITY DEVELOPMENT FUND</b>		<b>305,845</b>	<b>2,964,882</b>	<b>3,313,015</b>	<b>2,443,577</b>	<b>342,177</b>	<b>2,785,754</b>	<b>84%</b>
207	GENERAL PLAN UPDATE	7,493	71,257	197,413	57,324	89,411	146,735	74%
210	COMMUNITY CENTER	26,000	312,000	312,000	260,000	-	260,000	83%
215/216	CDBG	54,165	195,769	463,742	152,531	128,357	280,888	61%
220	MUSEUM RENTAL	193	2,422	2,422	1,865	-	1,865	77%
225	ASSET SEIZURE					-	-	n/a
229	LIGHTING AND LANDSCAPE	11,438	154,755	167,001	125,880	20,317	146,197	88%
232	ENVIRONMENT PROGRAMS	25,214	452,029	499,894	297,688	68,526	366,214	73%
234	MOBILE HOME PARK	138	39,661	89,661	90,930	22,153	113,083	126%
235	SENIOR HOUSING TRUST FUNI	2,150	14,300	14,300	6,450	2,150	8,600	60%
236	HOUSING MITIGATION FUND	4,851	1,033,497	1,033,497	13,340	1,660	15,000	1%
240	EMPLOYEE ASSISTANCE	2,082	20,000	20,000	17,141	-	17,141	86%
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>797,728</b>	<b>7,661,615</b>	<b>9,274,529</b>	<b>5,587,286</b>	<b>1,047,141</b>	<b>6,634,427</b>	<b>72%</b>
<b>CAPITAL PROJECT FUNDS</b>								
301	PARK DEVELOPMENT	75,608	1,570,296	2,114,454	346,374	112,498	458,872	22%
302	PARK MAINTENANCE		200,000	200,000	150,000	-	150,000	75%
303	LOCAL DRAINAGE	(4,198)	2,028,393	2,365,774	4,932	103,881	108,813	5%
304	LOCAL DRAIN. NON-AB1600	13,594	191,868	218,868	99,586	7,642	107,228	49%
305	OFF STREET PARKING		3,986	3,986	4,058	-	4,058	102%
309	TRAFFIC MITIGATION	116,820	936,333	2,035,819	630,123	455,065	1,085,188	53%
311	POLICE MITIGATION	554	1,206,645	1,226,645	24,471	10,000	34,471	3%
313	FIRE MITIGATION	129	401,545	551,545	519,992	9,101	529,093	96%
317	RDA BUSINESS ASSISTANCE	4,452,265	27,346,151	40,863,703	25,373,807	6,490,653	31,864,460	78%
327/328	RDA HOUSING	221,260	4,592,332	9,438,767	4,492,084	66,929	4,559,013	48%
346	PUBLIC FAC.NON AB1600	1,038,543	9,808,000	9,846,656	1,944,402	1,503,717	3,448,119	35%
347	PUBLIC FACILITIES	1,420	831,229	958,621	146,605	824,252	970,857	101%
348	LIBRARY IMPACT	19	225	225	187	-	187	83%
350	UNDERGROUNDING	51,806	190,437	435,592	178,707	43,750	222,457	51%
<b>TOTAL CAPITAL PROJECTS FUNDS</b>		<b>5,967,820</b>	<b>49,307,440</b>	<b>70,260,655</b>	<b>33,915,328</b>	<b>9,627,488</b>	<b>43,542,816</b>	<b>62%</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2003/04  
For the Month of April 2004  
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>DEBT SERVICE FUNDS</b>								
527	HIDDEN CREEK A.D.	-	-	-	-	-	-	n/a
536	ENCINO HILLS A.D.	-	-	-	-	-	-	n/a
539	MORGAN HILL BUS. PARK A.D.	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	812	195,805	195,805	194,136	-	194,136	99%
551	JOLEEN WAY A.D.	783	40,540	40,540	39,883	-	39,883	98%
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>1,595</b>	<b>236,345</b>	<b>236,345</b>	<b>234,019</b>	<b>-</b>	<b>234,019</b>	<b>99%</b>
<b>ENTERPRISE FUNDS</b>								
<b>SEWER</b>								
640	SEWER OPERATION	655,662	7,418,125	7,513,797	6,303,006	85,914	6,388,920	85%
641	CAPITAL EXPANSION	4,926	3,576,249	3,697,697	585,044	36,735	621,779	17%
642	SEWER RATE STABILIZATION	197	2,369	2,369	1,974	-	1,974	83%
643	SEWER-CAPITAL PROJECTS	<u>62,809</u>	<u>437,843</u>	<u>1,616,022</u>	<u>536,412</u>	<u>405,469</u>	<u>941,881</u>	<u>58%</u>
<b>TOTAL SEWER FUND(S)</b>		<b>723,594</b>	<b>11,434,586</b>	<b>12,829,885</b>	<b>7,426,436</b>	<b>528,118</b>	<b>7,954,554</b>	<b>62%</b>
<b>WATER</b>								
	Water Operations Division	356,424	6,213,247	6,894,997	4,501,548	544,671	5,046,219	73%
	Meter Reading/Repair	185,340	637,156	669,538	487,655	92,666	580,321	87%
	Utility Billing	35,522	391,570	394,863	298,424	10,774	309,198	78%
	Water Conservation	<u>347</u>	<u>8,213</u>	<u>8,213</u>	<u>1,266</u>	<u>-</u>	<u>1,266</u>	<u>15%</u>
650	WATER OPERATIONS	577,633	7,250,186	7,967,611	5,288,893	648,111	5,937,004	75%
651	CAPITAL EXPANSION	94,452	1,546,253	2,652,299	1,011,270	311,715	1,322,985	50%
652	WATER RATE STABILIZATION	70,879	850,551	850,551	708,792	-	708,792	83%
653	WATER-CAPITAL PROJECTS	<u>42,735</u>	<u>2,158,239</u>	<u>2,951,478</u>	<u>733,670</u>	<u>732,883</u>	<u>1,466,553</u>	<u>50%</u>
<b>TOTAL WATER FUND(S)</b>		<b>785,699</b>	<b>11,805,229</b>	<b>14,421,939</b>	<b>7,742,625</b>	<b>1,692,709</b>	<b>9,435,334</b>	<b>65%</b>
<b>TOTAL ENTERPRISE FUNDS</b>		<b>1,509,293</b>	<b>23,239,815</b>	<b>27,251,824</b>	<b>15,169,061</b>	<b>2,220,827</b>	<b>17,389,888</b>	<b>64%</b>
<b>INTERNAL SERVICE FUNDS</b>								
730	INFORMATION SERVICES	22,477	245,262	262,996	164,499	55,019	219,518	83%
740	BUILDING MAINTENANCE	55,387	642,029	665,031	358,100	26,504	384,604	58%
745	CIP ENGINEERING	138,125	1,447,120	1,552,806	1,071,949	95,857	1,167,806	75%
760	UNEMPLOYMENT	-	30,000	30,000	28,318	-	28,318	94%
770	WORKERS COMPENSATION	90,809	697,200	736,200	654,947	28,950	683,897	93%
790	EQUIPMENT REPLACEMENT	147	251,761	260,878	43,465	208,566	252,031	97%
793	CORP YARD COMMISSION	8,101	160,005	170,920	160,556	62,147	222,703	130%
795	GEN. LIABILITY INSURANCE	14,309	371,600	371,600	382,118	-	382,118	103%
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>329,355</b>	<b>3,844,977</b>	<b>4,050,431</b>	<b>2,863,952</b>	<b>477,043</b>	<b>3,340,995</b>	<b>82%</b>
<b>AGENCY FUNDS</b>								
841	MORGAN HILL BUS RANCH I	628	723,706	723,706	2,009,609	-	2,009,609	278%
842	MORGAN HILL BUS RANCH II	628	38,838	38,838	141,237	-	141,237	364%
843	MORGAN HILL BUS RANCH 98	1,003	871,086	871,086	872,399	-	872,399	100%
844	MH RANCH RSMNT 2004A	656	-	-	590,080	-	590,080	n/a
845	MADRONE BP-TAX EXEMPT	1,216	799,731	799,731	808,162	-	808,162	101%
846	MADRONE BP-TAXABLE	725	172,343	172,343	171,032	-	171,032	99%
848	TENNANT AVE BUS PARK AD	-	-	-	-	-	-	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
<b>TOTAL AGENCY FUNDS</b>		<b>4,856</b>	<b>2,605,704</b>	<b>2,605,704</b>	<b>4,592,519</b>	<b>-</b>	<b>4,592,519</b>	<b>176%</b>
<b>REPORT TOTAL</b>		<b>10,309,856</b>	<b>103,341,088</b>	<b>130,352,332</b>	<b>75,228,013</b>	<b>13,756,738</b>	<b>88,984,751</b>	<b>68%</b>



YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
<b>Operations</b>								
<b>Revenues</b>								
Service Charges	\$ 5,321,460	\$ 4,406,418	83%	\$ 4,176,984	\$ 5,738,350	\$ 5,064,605	88%	\$ 4,648,979
Meter Install & Service					40,000	34,303	86%	41,963
Other	113,950	138,178	121%	114,177	249,584	450,480	180%	87,580
<b>Total Operating Revenues</b>	<b>5,435,410</b>	<b>4,544,596</b>	<b>84%</b>	<b>4,291,161</b>	<b>6,027,934</b>	<b>5,549,388</b>	<b>92%</b>	<b>4,778,522</b>
<b>Expenses</b>								
Operations	4,533,215	3,881,977	86%	3,027,287	4,750,307	3,807,821	80%	3,193,966
Meter Reading/Repair					637,156	487,655	77%	453,701
Utility Billing/Water Conservation					399,783	299,690	75%	339,087
<b>Total Operating Expenses</b>	<b>4,533,215</b>	<b>3,881,977</b>	<b>86%</b>	<b>3,027,287</b>	<b>5,787,246</b>	<b>4,595,166</b>	<b>79%</b>	<b>3,986,754</b>
<b>Operating Income (Loss)</b>	<b>902,195</b>	<b>662,619</b>		<b>1,263,874</b>	<b>240,688</b>	<b>954,222</b>		<b>791,768</b>
<b>Nonoperating revenue (expense)</b>								
Interest Income	51,960	94,031	181%	121,935		51,224		107,812
Interest Expense/Debt Services	(856,625)	(586,625)	68%	(667,145)	(316,806)	(158,960)	50%	(164,273)
Principal Expense/Debt Services	(1,115,000)	(1,115,000)	100%	(635,000)	(228,634)	(31,260)	14%	(29,147)
<b>Total Nonoperating revenue (expense)</b>	<b>(1,919,665)</b>	<b>(1,607,594)</b>		<b>(1,180,210)</b>	<b>(545,440)</b>	<b>(138,996)</b>		<b>(85,608)</b>
Income before operating xfers	(1,017,470)	(944,975)		83,664	(304,752)	815,226		706,160
Operating transfers in	-	-		-	1,045,785	871,487	83%	345,000
Operating transfers (out)	(913,285)	(719,404)	79%	(701,147)	(917,500)	(503,507)	55%	(1,592,917)
<b>Net Income (Loss)</b>	<b>\$ (1,930,755)</b>	<b>\$ (1,664,379)</b>		<b>\$ (617,483)</b>	<b>\$ (176,467)</b>	<b>\$ 1,183,206</b>		<b>\$ (541,757)</b>



**City of Morgan Hill**  
**Balance Sheets - Water and Sewer Funds**  
**April 30, 2004**  
**83% of Year Complete**

	<b>Sewer Operations (640)</b>	<b>Sewer Expansion Stabilization Capital Projects (641-643)</b>	<b>Water Operations (650)</b>	<b>Water Expansion Stabilization Capital Projects (651-653)</b>
<b>ASSETS</b>				
<b>Cash and investments:</b>				
<b>Unrestricted</b>	2,947,018	6,726,434	2,989,899	3,874,429
<b>Restricted <sup>1</sup></b>	1,893,414	6,240,367	390,681	(173,275)
<b>Accounts Receivable</b>		7,302		
<b>Utility Receivables</b>	683,055		871,516	
<b>Less Allowance for Doubtful Accounts</b>	(2,633)		(2,751)	
<b>Notes Receivable <sup>2</sup></b>				
<b>Fixed Assets <sup>3</sup></b>	31,802,422	9,911,459	23,624,143	8,620,811
<b>Total Assets</b>	<u>37,323,276</u>	<u>22,885,562</u>	<u>27,873,488</u>	<u>12,321,965</u>
<b>LIABILITIES</b>				
<b>Accounts Payable and Accrued Liabilities</b>	256,723	128,211	60,490	
<b>Deposits for Water Services &amp; Other Deposits</b>			36,167	
<b>Deferred Revenue <sup>4</sup></b>				
<b>Bonds Payable</b>	25,390,000		5,985,863	
<b>Discount on Bonds and Other Liabilities</b>	(2,705,125)		(957,773)	
<b>Accrued Vacation and Comp Time</b>	41,966		88,959	
<b>Total liabilities</b>	<u>22,983,564</u>	<u>128,211</u>	<u>5,213,706</u>	<u>0</u>
<b>FUND EQUITY</b>				
<b>Contributed Capital</b>	6,686,483		13,047,150	
<b>Retained Earnings</b>				
<b>Reserved for:</b>				
<b>Noncurrent water/sewer assets &amp; debt</b>	9,075,581	9,911,459	18,507,094	8,620,811
<b>Encumbrances</b>	85,914	442,204	648,111	1,044,598
<b>Notes Receivable</b>		0		
<b>Restricted Cash</b>	1,893,414		390,681	
<b>Total Reserved Retained Earnings</b>	11,054,909	10,353,663	19,545,886	9,665,409
<b>Unreserved Retained Earnings</b>	3,284,803	12,403,688	3,113,896	2,656,556
<b>Total Fund Equity</b>	<u>14,339,712</u>	<u>22,757,351</u>	<u>22,659,782</u>	<u>12,321,965</u>
<b>Total Liabilities and Fund Equity</b>	<u>37,323,276</u>	<u>22,885,562</u>	<u>27,873,488</u>	<u>12,321,965</u>

<sup>1</sup> Restricted for Bond Reserve requirements and capital expansion.

<sup>2</sup> Includes Note for Sewer Financing Agreements.

<sup>3</sup> Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

<sup>4</sup> Includes the deferred payment portion of the loans noted above.



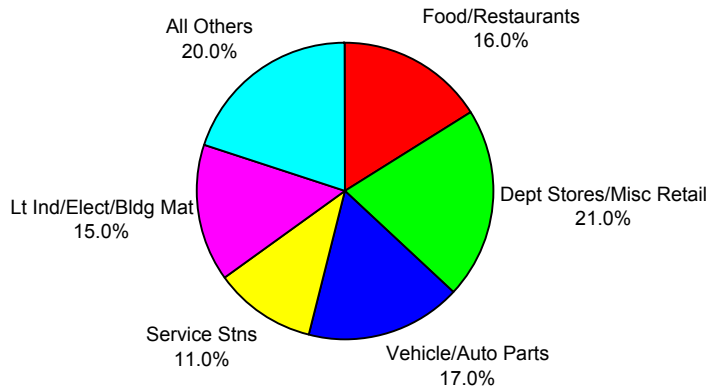
<sup>2</sup> Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.



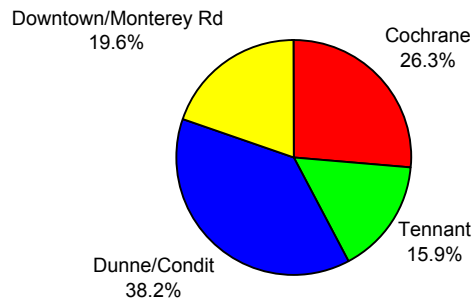
**City of Morgan Hill**  
**Sales Tax Comparison - Fiscal Year 2003/04**  
**For the Month of April 2004**  
**83% of Year Completed**

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	03/04	02/03	01/02	03/04	02/03	01/02	03/04 to 02/03	03/04 to 01/02
July	\$338,300	\$367,600	\$377,700	\$338,300	\$367,600	\$377,700	(29,300)	(39,400)
August	\$451,000	\$447,000	\$503,600	\$789,300	\$814,600	\$881,300	(25,300)	(92,000)
September	\$232,994	\$361,932	\$437,056	\$1,022,294	\$1,176,532	\$1,318,356	(154,238)	(296,062)
October	\$316,100	\$354,915	\$339,000	\$1,338,394	\$1,531,447	\$1,657,356	(193,053)	(318,962)
November	\$421,400	\$474,800	\$452,000	\$1,759,794	\$2,006,247	\$2,109,356	(246,453)	(349,562)
December	\$331,624	\$384,154	\$538,465	\$2,091,418	\$2,390,401	\$2,647,821	(298,983)	(556,403)
January	\$349,500	\$368,600	\$393,900	\$2,440,918	\$2,759,001	\$3,041,721	(318,083)	(600,803)
February	\$428,600	\$487,195	\$466,068	\$2,869,518	\$3,246,196	\$3,507,789	(376,678)	(638,271)
March	\$292,930	\$225,908	\$351,548	\$3,162,448	\$3,472,104	\$3,859,337	(309,656)	(696,889)
April	\$340,500	\$292,698	\$341,042	\$3,502,948	\$3,764,802	\$4,200,379	(261,854)	(697,431)
May		\$394,500	\$461,500		\$4,159,302	\$4,661,879		
June		\$477,624	\$208,416		\$4,636,926	\$4,870,295		
<b>Year To Date Totals</b>				<b>\$3,502,948</b>	<b>\$4,636,926</b>	<b>\$4,870,295</b>		
Sales Tax Budget for Year				\$4,650,000	\$5,330,000	\$5,300,000		
<b>Percent of Budget</b>				<b>75%</b>	<b>87%</b>	<b>92%</b>	<b>-7%</b>	<b>-17%</b>
<b>Percent of increase(decrease)</b>								

**Sales Tax Distribution  
by Business Segment  
Second Quarter 2003**



**Sales Distribution  
by Area  
Second Quarter 2003**





## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **SUBDIVISION APPLICATION, SD-03-09: NATIVE DANCER – QUAIL MEADOWS**

**RECOMMENDED ACTION:** Take no action, thereby concurring with the Planning Commission's decision regarding approval of the subdivision map.

**EXECUTIVE SUMMARY:** The applicant is requesting approval of a six-lot subdivision of a 7.5-acre site. The project, referred to as Quail Meadows, is located along the west side of Santa Teresa Boulevard, south of Watsonville Road. The six-lot subdivision represents the final phase of an overall 13-unit, single-family project. The project was awarded two allotments for Fiscal Year 2004-05 and four allotments for Fiscal Year 2005-06 under the Micro Measure P competition.

The six-lot subdivision is designed to be consistent with the first phase of the project. The lots will be comparable in size to the Phase 1 lots, ranging from 40,000 sf to 67,523 sf. A soundwall will also be constructed along the project frontage, consistent with the existing wall along Santa Teresa Boulevard. Zoning for the site is RE(40,000). The proposed lots and units will comply with the minimum site development standards of the RE(40,000) zoning district.

Access to the site will be provided via the existing Native Dancer Drive off Santa Teresa Boulevard. Secretariat Court will be extended north to create a new cul-de-sac. During the Planning Commission meeting, the Commission reviewed two design configurations for the new project cul-de-sac. The first configuration proposed terminating the cul-de-sac at the project's north property boundary. The second configuration identified the cul-de-sac extending off-site, onto the adjacent property to the north, in order to provide access to an existing dwelling. Upon development of the adjacent property, the cul-de-sac would be modified into a through street to provide access to a future signal at Watsonville Road and Santa Teresa Boulevard. Staff recommended against extending the cul-de-sac off-site, as the adjacent property is unincorporated county land and is currently outside the City's Urban Service Area and Urban Growth Boundary. However, the Commission approved the subdivision with the cul-de-sac extending north, onto the adjacent property.

This application was reviewed by the Planning Commission at their April 27 meeting, at which time the Commission voted 5-0, with two Commissioners absent, approving the request with the following modifications: 1) the project cul-de-sac may extend off-site with recordation of a proper maintenance agreement with the City, 2) in lieu of a detached sidewalk along the Santa Teresa frontage, the applicant may install a temporary asphalt path along the east side of Santa Teresa from Native Dancer Drive to Watsonville Road, 3) eliminate standard condition H2 regarding below market rate units as it is not applicable to the project, and 4) a note shall be placed on the Final Map and the developer shall provide information on the Title Report for Lots 8 and 9 concerning the potential presence of sensitive archaeological resources. The Planning Commission resolution, conditions of approval, and subdivision map are attached for the Council's reference. The April 27 Commission staff report and draft minutes are attached to the development agreement request within this same agenda.

**FISCAL IMPACT:** None. Filing fees were paid to the City to cover the cost of processing this application.

**Agenda Item # 6**

**Prepared By:**

**Associate Planner**

**Approved By:**

**CDD Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

**Agenda Item # 7**

**Prepared By:**

\_\_\_\_\_  
**HR Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

### **TITLE      APPROVAL OF RESOLUTION PROVIDING COMPENSATION FOR CITY OF MORGAN HILL MANAGEMENT AND CONFIDENTIAL EMPLOYEES**

#### **RECOMMENDED ACTIONS:**

1.      Adopt Management Resolution.

#### **EXECUTIVE SUMMARY:**

Compensation and benefit changes for those employees covered by the City's various MOUs were agreed upon and approved by Council last year and those MOUs include changes for fiscal year 04-05. At this time it is appropriate to adopt a resolution containing the compensation and benefits for management and confidential employees for fiscal year 04-05. The Management Resolution for fiscal year 03-04 did not include any wage increase. The 04-05 Resolution includes a two percent (2%) increase for all management and confidential employees. The one-time bank of 16 hours of administrative leave for groups 1A, B, and C is eliminated. All other benefits remain the same.

Due to some reorganization, the resolution includes the reclassification of one Assistant to the City Manager position in group 1A to that of a Program Administrator in group 1B. It also eliminates the position of Assistant City Attorney since it will not be funded in the 04-05 budget.

The total compensation package offered to management and confidential employees is prudent and demonstrates fiscal responsibility in these difficult economic times, but it does acknowledge the hard work of City management and confidential staff.

#### **FISCAL IMPACT:**

The fiscal impact of this resolution falls within the City Council's parameters.

## RESOLUTION NO.

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING SELECTED SALARY RANGES AND JOB TITLES FOR MANAGEMENT, PROFESSIONAL AND CONFIDENTIAL EMPLOYEES. THIS RESOLUTION RESCINDS RESOLUTION 5714.**

WHEREAS, the City Manager has presented to the City Council of the City of Morgan Hill a recommended set of salary ranges and benefits for the Management, Professional and Confidential employees; and

WHEREAS, the City Council of the City of Morgan Hill has reviewed said recommendations;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill as follows:

#### **SECTION 1 – SALARY RANGES**

- A. These separate salary ranges are hereby established effective June 20, 2004 and reflect a two percent (2%) increase over the ranges established in the previous fiscal year of 03-04.

Group 1-A and 1-B base salary ranges include the 7% employee or 9% for Public Safety Employees) PERS contribution which is deducted from payroll.

Group 1-C base salary ranges do not include the 7% employee PERS contribution, however, the City will report the value of employer paid member contributions to CalPERS as additional compensation.

<b>JOB CLASSIFICATION</b>	<b>SALARY RANGE</b>		
<b>Executive Management - Group 1-A</b>	<b>Bottom</b>	<b>Top</b>	<b>Performance Pay</b>
Chief of Police	\$9,175	\$11,470	\$11,755
Director of Business Assistance & Housing Services	\$9,005	\$11,260	\$11,540
Director of Community Development	\$9,005	\$11,260	\$11,540
Director of Finance	\$9,005	\$11,260	\$11,540
Director of Public Works/City Engineer	\$9,005	\$11,260	\$11,540
Human Resources Director	\$9,005	\$11,260	\$11,540
Recreation and Community Services Manager	\$7,765	\$9,710	\$9,955
Assistant to the City Manager	\$7,765	\$9,710	\$9,955
Council Services and Records Manager	\$6,865	\$8,580	\$8,790
<b>Middle Management - Group 1-B</b>	<b>Bottom</b>	<b>Top</b>	<b>Performance Pay</b>
Deputy Director of Public Works	\$7,765	\$9,710	\$9,955
Program Administrator	\$7,765	\$9,710	\$9,955
Police Lieutenant	\$7,380	\$9,225	\$9,460
Assistant Director of Finance	\$6,865	\$8,580	\$8,790

Chief Building Official	\$6,865	\$8,580	\$8,790
Human Resources Supervisor	\$6,865	\$8,580	\$8,790
Planning Manager	\$6,865	\$8,580	\$8,790
Senior Civil Engineer	\$6,865	\$8,580	\$8,790
Senior Project Manager/Community Buildings	\$6,865	\$8,580	\$8,790
Budget Manager	\$5,915	\$7,395	\$7,580
Business Assistance and Housing Services Manager	\$5,915	\$7,395	\$7,580
Police Support Services Supervisor	\$5,915	\$7,395	\$7,580
Senior Planner	\$5,915	\$7,395	\$7,580
Project Manager	\$5,915	\$7,395	\$7,580
Utility Systems Manager	\$5,915	\$7,395	\$7,580
Recreation Supervisor	\$4,980	\$6,220	\$6,375
Secretary to the City Manager	\$4,290	\$5,365	\$5,500
<b>Confidential Non-Exempt Employees - Group 1-C</b>	<b>Bottom</b>	<b>Top</b>	<b>Performance Pay</b>
Administrative Analyst	\$4,540	\$5,675	\$5,820
Secretary to the City Attorney	\$4,290	\$5,365	\$5,500
Accounting Technician	\$3,805	\$4,755	\$4,870
Human Resources Assistant	\$2,890	\$3,615	\$3,710

## **SECTION 2 — ESTABLISHMENT OF COMPENSATION GROUPS 1-A-B-C**

- A. The City Manager will establish the monthly compensation for the classifications in Section 1-A within the prescribed ranges and may adjust the level of compensation during the year within the prescribed range. The City Manager has the authority to increase the monthly compensation for employees in Section 1-A by a maximum of 10% each fiscal year based on each executive manager's performance.
- B. Each Department Director will recommend to the City Manager the proposed monthly salary to be paid to each of the employees whose classification appears in Section 1-B or 1-C. Upon approval of the City Manager, the monthly salary will be set within the prescribed range for each classification. The City Manager has the authority to increase the monthly compensation for employees in Section 1-B and C, by a maximum of 10% each fiscal year based on each individual employee's performance.
- C. For employees listed in Sections 1-A, 1-B, and 1-C, the last 2.5% of the salary range has been designated as performance bonus pay. Employees are eligible to have their base salary set in the last 2.5% of their respective range provided they have progressed to the end of their salary range and receive and maintain above average performance as identified by their performance evaluation. The criteria for an above average performance evaluation are as follows: at least half of the rating factors must be scored at the "exceeds expectations" level and no more than one rating factor can be scored at the "not satisfactory" level.
- D. The City will contribute to a City-sponsored IRS 457 deferred compensation program of the

employee's choice according to the following schedule:

3% of base salary per pay period for employees who have been employed with the City for up to four years

4% of base salary per pay period for employees who have been employed with the City from four to eight years

5% of base salary per pay period for employees who have been employed with the City for over eight years

**SECTION 3 —CONTRIBUTIONS TO THE PERS RETIREMENT SYSTEM, GROUPS 1-A, B, C**

- A. Non-Safety employees listed in Sections 1-A, 1-B, and 1-C will receive PERS retirement benefits under the 2% at 55 plan.
- B. Safety employees listed in Sections 1-A and 1-B, will receive PERS retirement benefits under the 3% at 50 plan.

**SECTION 4 — HEALTH CARE CONTRIBUTIONS AND IRS 125 PLAN, GROUPS 1-A, B, C**

**A. City Health Insurance Contributions**

For family health care allowance, City will pay 90% of the total cost of the lowest cost PEMHCA medical plan, plus dental

For employee plus one dependent, City will pay 96.5% of the total cost of the lowest cost PEMHCA medical plan, plus dental

Medical and/or dental in-lieu pay and employee only medical coverage will be \$610 per month

- B. Employees listed in Sections 1-A, B and C who do not use their full health allowance may use their surplus amount for optional benefits such as cancer or heart/stroke insurance premiums, vision, long term care insurance, or for participating in medical reimbursement or dependent care expense accounts. If employees do not use their surplus for optional benefits, it will be added to their salary as taxable income.
- C. The City will continue to offer an IRS 125 program.

**SECTION 5 — GENERAL BENEFIT PROVISIONS, GROUPS 1-A, B AND C**

**A. Sick Leave Accrual**

- 1. Sick Leave credit for employees will be accumulated on the basis of eight hours of sick leave per month. (96 hours per year)
- 2. The City will, at the end of each calendar year, pay each employee twenty-five (25%) percent of the unused sick leave earned that year unless the employee requests not to receive such a payment.
- 3. The balance of the unused sick leave will then be accumulated on an unlimited basis.

4. Upon retirement, 100% of the employee's unused sick leave balance will be credited to the employee's retirement eligibility. This amount would then be converted into time in service and added to the employee's retirement eligibility. (Reference - City contract with PERS, Section 20862.8)
5. Each employee may take 16 hours of personal leave time during the fiscal year which is charged against the current year's sick leave accrual.

**B. Holidays**

1. The City will grant the following paid holidays to employees listed in Sections 1-A, B and C:

New Year's Day  
Martin Luther King, Jr. Day  
President's Day  
Cesar Chavez Day  
Memorial Day  
Independence Day  
Labor Day  
Thanksgiving Day  
Day after Thanksgiving  
Christmas Eve  
Christmas Day  
One-half day holiday to be observed on either December 22, 2004 or  
December 30, 2004  
Two floating holidays (These two floating holidays must be used during the  
fiscal year)

Holidays are worth eight (8) hours of time off; employees on alternate work schedules must use additional leave balances to receive full pay on a holiday.

2. With the approval of the employee's supervisor, employees may "float" holidays to another day within the same fiscal year provided they work on the holiday.

**C. Vacation Leave Accrual**

1. Each employee listed in Sections 1-A, B and C will be credited vacation on the basis of 120 hours per year for the first five (5) years of City service. After five (5) years of service, vacation will be credited on the basis of 160 hours per year.
2. The maximum accumulation of vacation will be no more than that earned for two years.
3. Additional vacation accrual will not be provided until the employee's vacation balance drops below the maximum accrual limit.
4. Employees listed in Sections 1-A, B and C may cash out up to 80 hours of accrued vacation or administrative leave per fiscal year.

**D      Administrative Leave, Groups 1-A and 1-B and 1-C**

1. Employees listed in Sections 1-A and 1-B receive and may use up to 72 hours administrative leave with pay per fiscal year.
2. Administrative leave time for employees in groups 1-A and B will be available for one additional year if not used in the fiscal year that it was initially available. If, however, the administrative leave time that was carried over to the following fiscal year is not used during the second year, it will be lost at the end of the second fiscal year. In effect, the maximum amount of administrative leave time that may be available to an employee at any given time is 144 hours.
3. Per Section 5.C.4, employees may cash out up to 80 hours of accrued administrative leave per fiscal year.

**E.      Professional Development**

1. It shall be the philosophy of the City to encourage employees to attend classes, seminars, conferences, etc. which will enable the employee to develop professionally. Such attendance must be approved by the Department Director and the City Manager. The City may request employees who complete such a course to report or train other employees in the skills they have attained.
2.      **Tuition Reimbursement Program**  
Employees listed in Sections 1-A, B and C are eligible to receive tuition reimbursement of up to \$1000 per fiscal year for the cost of books and tuition for classes or courses beneficial to the employee's career development. All classes must be approved in advance by the Department Director or City Manager. Reimbursement will take place upon a successful completion or passing of the course.
3.      **Membership Dues** — For employees listed in Sections 1-A and 1-B, the City shall provide a personal membership dues reimbursement of up to \$250.00 per fiscal year for costs associated with joining and participating in Morgan Hill community service organizations such as Rotary, Kiwanis, or Chamber of Commerce. Reimbursement of membership dues for community service organizations other than those listed above requires the prior approval of the City Manager.

**F.      Life and Disability Insurance**

1. The City shall pay the premiums for short-term disability, long-term disability and life insurance plans.
  - a. Life insurance levels shall be as follows for the employees listed in Section 1:

Section 1-A	\$ 250,000
Section 1-B	\$ 150,000
Section 1-C	\$ 75,000
  - b. Short-term disability coverage for employees in Sections 1-A, B and C shall be at the maximum rate of \$925 per week based on 66 2/3% of the actual weekly salary after an eight-day elimination period.

- c. Long-term disability coverage for employees in Sections 1-A, B and C shall be at the maximum rate of \$6,000.00 per month based on 66 2/3% of the actual monthly salary after a 60-day elimination period.

**G. Retirement Medical Plan**

- 1. Employees listed in Sections 1-A, B, and C may continue enrollment in the City's medical plans upon retirement. Such enrollment will be contingent upon the employee meeting the requirements of the medical plan and paying the monthly premium to PERS at the employee's expense. It will be the employee's responsibility to make sure the insurance premium is paid to PERS before the due date. **Failure to do so will result in the employee being terminated from their medical coverage.**

**H. Safety Employee Uniform Allowance**

Safety employees in Groups 1-A and B will be eligible for the following uniform allowance:

Chief of Police and Police Lieutenant	\$920.00
Police Support Services Supervisor	\$570.00

**I. Work Schedule**

The City Manager will establish the standard work schedule for employees listed in Sections 1-A, B and C. Based on the needs of the City, the City Manager may, at his/her discretion, change the work schedules of employees at any time.

**SECTION 6 – EFFECTIVE DATE**

This resolution shall be effective June 20, 2004. Compensation shall be made available to only those employees covered by this section who are still employed as a full-time management or confidential employee with the City as of the effective date of this agreement.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🍷 CERTIFICATION 🍷**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,**  
do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City  
Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

**Agenda Item # 8**

**Prepared By:**

**Council Services &  
Records Manager/  
City Clerk**

**Submitted By:**

**City Manager**

### **APPOINTMENTS TO THE ARCHITECTURAL AND SITE REVIEW BOARD (ARB)**

#### **RECOMMENDED ACTION:**

1. Approve Mayor's appointment of incumbent Board Members Lori Cain and Yarmila Kennett to serve two-year terms expiring June 1, 2006

#### **EXECUTIVE SUMMARY:**

There are two ARB members whose terms are due to expire on June 1, 2004: Lori Cain and Yarmila Kennett. On January 14, 2004, the Council interviewed two individuals interested in serving on the ARB, filling a term due to expire in June 2004. The Council appointed Lori Cain to fill an unexpired term. At the time of appointment, a Council Member indicated that based on the fact that Ms. Cain's unexpired term would conclude within a couple of months, she should not be required to re interview if there were insufficient applicants interested in filling upcoming expired terms. Ms. Cain has indicated that she would be interested in being appointed to a full two-year term. Staff is in receipt of Ms. Kennett's application for reappointment to the ARB. No other applications were submitted. Ms. Cain's December 2003 application and Ms. Kennett's recently submitted application are attached for Council consideration.

As the City received only two applications to fill the two upcoming vacancies, Mayor Kennedy is recommending that the Council approve his appointment of Ms. Cain and Ms. Kennett to serve two-year terms expiring June 1, 2006.

**FISCAL IMPACT:** No budget adjustment is required.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *May 19th, 2004*

### **AQUATICS CENTER PROJECT – APRIL CONSTRUCTION PROGRESS REPORT**

**RECOMMENDED ACTION(S):** *Information Only*

**EXECUTIVE SUMMARY:** Previous Council action awarded the contract for construction of the Aquatics Center Project to Gonsalves & Stronck Construction Company, Inc. At that time, staff informed Council that we would report monthly on the progress of the construction. Attached is the progress report for the month of April. This report has been sent to our webmaster for posting on the City's website. Due to previous delays as well as some subcontractor and procurement issues, the project remains behind schedule. The contractor submitted a "completion schedule" to demonstrate how they intended to make up that lost time. Unfortunately, they are still tracking approximately 4 days behind that schedule. As such, the facility cannot be made available for public use, even for a "soft opening" before June 5<sup>th</sup>. The Grand Opening is still planned for June 12<sup>th</sup>. Although the substantial completion date is May 24<sup>th</sup>, staff and the project team are projecting that Gonsalves & Stronck will not obtain substantial completion until May 28<sup>th</sup>. The project is currently within budget.

**FISCAL IMPACT:** None

**Agenda Item # 9**

**Prepared By:**

**Project Manager**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: MAY 19, 2004***

### **ACCEPTANCE OF CONSTRUCTION OF MAIN WELL NO. 2 AND SAN PEDRO WELL PROJECT**

#### **RECOMMENDED ACTION(S):**

1. Accept as complete the construction of Main Well No. 2 and San Pedro Well project in the final amount of \$686,928.
2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

The bid opening was held on May 6, 2003 and the low bidder was Conco-West Inc. The contract was awarded to Conco-West by the City Council at their May 21, 2003, meeting in the amount of \$639,200. The project resulted in completion of two new pump stations including well buildings and appurtenances. The construction and modifications include foundations and slabs, block buildings with roofs, fences, motor control centers and chemical systems. The final contract amount is \$636,928; of that amount, \$330,642 is for the San Pedro Well site.

The project was scheduled to be completed by December 2003. There were some changes to the new motor control systems due to the City's new SCADA system which delayed the completion of the stations. Also, due to the City's high summer water demand and not being able to modify the stations during the summer of 2003, the construction portion of the project took longer than anticipated.

The work has been completed in accordance with the plans and specifications.

#### **FISCAL IMPACT:**

This project was budgeted in the 2002-03 Capital Improvements Program budget under New Well Construction Project #601093. The allocated project construction cost including a 10% contingency was \$703,120. The contract was awarded in the amount of \$639,200 and the final contract price is \$686,928. The City will be reimbursed \$330,642 for the San Pedro Well completion, and when added to the well drilling contract, will result in a total cost reimbursement from Olin for the San Pedro Well in the amount of \$795,702.

**Agenda Item # 10**

**Prepared By:**

**Senior Civil Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION  
CITY OF MORGAN HILL

**CONSTRUCTION OF MAIN WELL NO. 2 AND SAN PEDRO WELL PROJECT**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 30th day of April, 2004, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to Conco-West Inc., on May 21, 2003, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on April 30, 2004, accepted by the City Council on May 19, 2004, and that the name of the surety on the contractor's bond for labor and materials on said project is American Casualty Company of Reading, Pennsylvania.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefore approved by the City Council of said City.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: \_\_\_\_\_, 2004.

\_\_\_\_\_  
Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9384, MONTE VILLA PHASE I**

#### **RECOMMENDED ACTION(S):**

1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9384, commonly known as Monte Villa Phase I
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

Tract 9384 is a 41 lot subdivision located on the south side of Llagas Road adjacent to the Carden Academy project (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and Llagas-Hale Investors LLC, dated August 26, 2002 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

<u>Street Name</u>	<u>Street Length</u>
Carriage Drive	0.12 miles
Llagas Creek Drive	0.21 miles
Maiden Spring Way	0.07 miles
Shadow Brook Way	0.19 miles
Winter Creek Way	0.07 miles

**FISCAL IMPACT:** Staff time for this project was paid for by development fees.

**Agenda Item # 11**

**Prepared By:**

\_\_\_\_\_  
**Senior Engineer**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
MORGAN HILL ACCEPTING THE SUBDIVISION  
IMPROVEMENTS FOR TRACT 9384, MONTE VILLA PHASE I**

**WHEREAS**, the owner of Tract 9384, designated as Monte Villa Phase I, entered into a Subdivision Improvement Agreement on August 26, 2002: and

**WHEREAS**, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

**NOW, THEREFORE**, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of August 26, 2002.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:            COUNCIL MEMBERS:**  
**NOES:           COUNCIL MEMBERS:**  
**ABSTAIN:       COUNCIL MEMBERS:**  
**ABSENT:        COUNCIL MEMBERS:**

**🔒 CERTIFICATION 🔒**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9385, MONTE VILLA PHASE II**

#### **RECOMMENDED ACTION(S):**

1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9385, commonly known as Monte Villa Phase II
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

Tract 9385 is a 13 lot subdivision located on the west side of Hale Avenue approximately 1000 feet south of the Hale Avenue and Llagas Road intersection (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and Llagas-Hale Investors LLC, dated November 1, 2002 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

<u>Street Name</u>	<u>Street Length</u>
Ril Marianna Court	0.11 miles

**FISCAL IMPACT:** Staff time for this project was paid for by development fees.

**Agenda Item # 12**

**Prepared By:**

\_\_\_\_\_  
**Senior Engineer**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
MORGAN HILL ACCEPTING THE SUBDIVISION  
IMPROVEMENTS FOR TRACT 9385, MONTE VILLA PHASE II**

**WHEREAS**, the owner of Tract 9385, designated as Monte Villa Phase II, entered into a Subdivision Improvement Agreement on November 1, 2002: and

**WHEREAS**, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

**NOW, THEREFORE**, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of November 1, 2002.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:            COUNCIL MEMBERS:**  
**NOES:           COUNCIL MEMBERS:**  
**ABSTAIN:       COUNCIL MEMBERS:**  
**ABSENT:        COUNCIL MEMBERS:**

**🔒 CERTIFICATION 🔒**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION

CITY OF MORGAN HILL

**TRACT 9385, MONTE VILLA PHASE II**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, signed below, represents the City of Morgan Hill as the owner of the public improvements for the above named development. Said improvements were substantially completed on May 3, 2004, by Llagas-Hale Investors LLC, the subdivider of record and accepted by the City Council on May 19, 2004. Said improvements consisted of public streets, utilities and appurtenances.

The name of the surety on the contractor's bond for labor and materials on said project is Developers Surety and Indemnity Company.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: \_\_\_\_\_, 2004.

\_\_\_\_\_  
Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE: May 19, 2004**

### **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9400, COYOTE ESTATES PHASE VI**

#### **RECOMMENDED ACTION(S):**

1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9400, commonly known as Coyote Estates Phase VI.
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

Tract 9400 is a 17 lot subdivision located on the north side of Cochrane Road within the Coyote Estates development (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and Coyote Estates 2003 Inc., dated March 7, 2003 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

<u>Street Name</u>	<u>Street Length</u>
Blue Lynx Court	0.10 miles

**FISCAL IMPACT:** Staff time for this project was paid for by development fees.

<b>Agenda Item # 13</b>
<b>Prepared By:</b>
_____
<b>Senior Engineer</b>
<b>Approved By:</b>
_____
<b>Public Works Director</b>
<b>Submitted By:</b>
_____
<b>City Manager</b>

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
MORGAN HILL ACCEPTING THE SUBDIVISION  
IMPROVEMENTS FOR TRACT 9400, COYOTE ESTATES PH. VI**

**WHEREAS**, the owner of Tract 9400, designated as Coyote Estates Phase VI, entered into a Subdivision Improvement Agreement on March 7, 2003: and

**WHEREAS**, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

**NOW, THEREFORE**, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of March 7, 2003.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:            COUNCIL MEMBERS:**  
**NOES:           COUNCIL MEMBERS:**  
**ABSTAIN:       COUNCIL MEMBERS:**  
**ABSENT:        COUNCIL MEMBERS:**

**🔒 CERTIFICATION 🔒**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION

CITY OF MORGAN HILL

**TRACT 9400, COYOTE ESTATES PHASE VI**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, signed below, represents the City of Morgan Hill as the owner of the public improvements for the above named development. Said improvements were substantially completed on May 3, 2004, by Coyote Estates 2003 Inc., the subdivider of record and accepted by the City Council on May 19, 2004. Said improvements consisted of public streets, utilities and appurtenances.

The name of the surety on the contractor's bond for labor and materials on said project is Developers Surety and Indemnity Company.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: \_\_\_\_\_, 2004.

\_\_\_\_\_  
Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9461, COYOTE ESTATES PHASE VII**

#### **RECOMMENDED ACTION(S):**

1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9461, commonly known as Coyote Estates Phase VII
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

Tract 9461 is a 6 lot subdivision located on the north side of Cochrane Road within the Coyote Estates development (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and Coyote Estates 2003 Inc., dated March 7, 2003 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

<u>Street Name</u>	<u>Street Length</u>
Red Tail Place	0.04 miles

**FISCAL IMPACT:** Staff time for this project was paid for by development fees.

**Agenda Item # 14**

**Prepared By:**

\_\_\_\_\_  
**Senior Engineer**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
MORGAN HILL ACCEPTING THE SUBDIVISION  
IMPROVEMENTS FOR TRACT 9461, COYOTE ESTATES PH. VII**

**WHEREAS**, the owner of Tract 9461, designated as Coyote Estates Phase VII, entered into a Subdivision Improvement Agreement on March 7, 2003: and

**WHEREAS**, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

**NOW, THEREFORE**, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of March 7, 2003.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:            COUNCIL MEMBERS:**  
**NOES:           COUNCIL MEMBERS:**  
**ABSTAIN:       COUNCIL MEMBERS:**  
**ABSENT:        COUNCIL MEMBERS:**

**🔒 CERTIFICATION 🔒**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION

CITY OF MORGAN HILL

**TRACT 9461, COYOTE ESTATES PHASE VII**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, signed below, represents the City of Morgan Hill as the owner of the public improvements for the above named development. Said improvements were substantially completed on May 3, 2004, by Coyote Estates 2003 Inc., the subdivider of record and accepted by the City Council on May 19, 2004. Said improvements consisted of public streets, utilities and appurtenances.

The name of the surety on the contractor's bond for labor and materials on said project is Developers Surety and Indemnity Company.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: \_\_\_\_\_, 2004.

\_\_\_\_\_  
Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **FIRST AMENDMENT TO COUNTYWIDE HOUSEHOLD HAZARDOUS WASTE AGREEMENT**

#### **RECOMMENDED ACTION(S):**

Direct Staff to Execute the Agreement with the County

**EXECUTIVE SUMMARY:** Since 1993, the City has met its obligation to provide for household hazardous waste disposal by participating in the Countywide Collection Program. This popular program provides City residents with the opportunity to participate in several collection events each month. The new permanent collection center in San Martin has dramatically improved the convenience associated with these services and, therefore, further increased the demand for them.

In 2003, the Council authorized the City Manager to execute a three-year Countywide Household Hazardous Waste Agreement. While this is a three-year agreement, it requires an annual amendment that requires jurisdictions to commit to a level of participation in the program. Based on the City's past experiences, a commitment of \$20,000 will ensure that all Morgan Hill residents desiring to participate in the program will be allowed to do so. Staff recommends that the City Manager be authorized to execute the attached First Amendment to the Countywide Household Hazardous Waste Agreement.

**FISCAL IMPACT:** A maximum of \$20,000 in expenditures from the City will result from this action. This amount is currently proposed in the Environmental Programs Division's budget (Fund 232). The source of these funds is the franchise fee on solid waste services that is dedicated to AB 939 purposes.

**Agenda Item #15**

**Prepared By:**

**Assistant to the City  
Manager**

**Submitted By:**

**City Manager**



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *May 19, 2004*

### **EXTENSION OF SUBDIVISION IMPROVEMENT AGREEMENT – ALCINI PARTNERSHIP**

**RECOMMENDED ACTION:** Grant Limited Amendment to Subdivision Improvement Agreement

#### **EXECUTIVE SUMMARY:**

In February 2001, the Alcini Partnership (“Alcini”) entered into a subdivision improvement agreement (“Agreement”) for their property on Mast Street. Alcini later sold three acres of the subdivision to a development corporation. This owner anticipated that a meat processing facility (Durham) would locate there, but that did not occur.

In May 2002, pursuant to language in this particular Agreement, the City Manager granted an extension of the Agreement until January 14, 2003 (such language is normally not included in our subdivision improvement agreements). In October 2002, Alcini requested the Council extend the Agreement until a new purchaser was located and commenced construction. The Council granted the extension, and the Agreement was extended until March 14, 2004. (See Agreement and Amendment attached hereto.)

Alcini has not installed the improvements, and has now requested another amendment to the Agreement. (See letter to City Manager dated March 22, 2004, attached hereto.) This amendment would provide that the term of the Agreement is extended until “such time as a project is initiated at the Durham Meats site,” and that the bond requirement be revised to allow Alcini to carry the bonds on their parcel, and require Durham to carry the bonds on their parcel. This would effectively relieve Alcini of the obligation to install the improvements on the Durham site.

Municipal Code section 17.32.260 provides that subdivision improvements must be completed by a developer within eighteen months, or within twenty-four months as approved by the city engineer, from recording of the final map, unless the deadline is extended by the Council. Section 17.32.010 also specifically provides that “the subdivider shall construct all required improvements. . . .”

Council has two options: (1) do not extend the Agreement and invoke the bonds; or (2) extend the Agreement, but decline to split the bond requirement between the parcels.

Staff (Public Works, Planning, City Attorney) recommend the Council proceed with the second option. Although staff does not believe that the improvements need to be installed until the property develops, they also do not recommend that Alcini be relieved of its burden to install the improvements. That burden was a condition of the original subdivision approval, and Alcini realized the benefit of that approval by selling the Durham Meat parcel. Moreover, given the language of the Municipal Code imposing the duty on the subdivider to install the public improvements, it appears that Council cannot relieve Alcini of this burden without violating its own Code. For these reasons, staff recommends that the Council extend the Agreement for one more year, but not relieve Alcini of the burden to install the improvements by splitting the bonding requirements.

**FISCAL IMPACT:** No budget adjustment required.

**Agenda Item # 16**

**Prepared By:**

**Helene Leichter**  
City Attorney

**Submitted By:**

**J. Edward Tewes**  
City Manager



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **2003 ANNUAL CONSUMER CONFIDENCE REPORT REGARDING WATER QUALITY**

**RECOMMENDED ACTION(S):** For Council information only.

**EXECUTIVE SUMMARY:** Every year, the California State Department of Health Services (DOHS) requires the City of Morgan Hill to prepare and distribute to every water customer an annual Consumer Confidence Report providing information on the water quality supplied to the community. Attached for Council Information is the 2003 report.

The City of Morgan Hill is regulated by the California State Department of Health Services (DOHS), Office of Drinking Water. DOHS has developed Primary and Secondary Standards called Maximum Contaminant Levels (MCL's) to insure the protection of public health from contamination in domestic water supplies. Primary Standards are established for potentially harmful substances and Secondary Standards deal with the aesthetic qualities of the water that includes odor, taste, and color. The city has also tested for more than 60 other unregulated substances. The report notes that all tests for 2003 were below the state determined maximum contaminant levels.

All testing of water from the City water system is performed by a state-certified independent laboratory. Tests are performed both at the wellhead of the City's 13 deep water wells to check the quality of the source water and throughout the distribution system. Perchlorate sampling was performed monthly at all City wells and an Ion Exchange Treatment System was installed at Nordstrom well to supplement peak water demand. The cost of water testing during 2003 was approximately \$115,000 (\$50,000 for perchlorate testing).

**FISCAL IMPACT:** The cost of preparing, printing, and mailing the 2003 Consumer Confidence Report has been reduced again this year by incorporating the document in City Visions and the approximate cost is \$1,700. Sufficient funds are currently budgeted for this expenditure in our Water Operations budget.

**Agenda Item # 17**

**Prepared By:**

**Utility Systems  
Manager**

**Approved By:**

**Department Director**

**Submitted By:**

**City Manager**

# WATER QUALITY

## CITY OF MORGAN HILL • CONSUMER CONFIDENCE REPORT

### OUR GOAL: Meet or Exceed Federal and State Regulations

**T**HE CITY of Morgan Hill is committed to providing the community a safe, reliable supply of excellent quality drinking water that meets or exceeds Federal and State regulations.

This report gives information about the quality of water provided in 2003. It describes where your water comes from, what it contains and how it compares to State standards.

This report contains some limited information regarding testing for perchlorate levels in the city's water wells. More detailed information on perchlorate testing will be reported via press releases, on Morgan Hill's cable television bulletin board (Channel 17), and in regular updates to the several public agency websites (see box at right).

Although much of the information on technical matters is required by State law, we have also provided additional information that you should find useful. ♫

### WATER SYSTEM SECURITY

**W**HILE MORGAN HILL does not have open-air water facilities - and is therefore less vulnerable to certain threats - we have, nonetheless, taken steps to ensure additional security measures. These include enhanced security patrols and secondary remote alarm systems. ♫

Este informe contiene informacion muy importante sobre su agua para beber. Traduzcalo o hable con alguien que lo entienda bien. This report contains important information about your community's water quality. If necessary, please have it translated, or speak with a friend who understands it well.

### THE CITY'S PERCHLORATE CHALLENGE

**P**OTENTIAL PERCHLORATE contamination of drinking water supplies in the South Valley, including water supplied by the City of Morgan Hill, is an obvious concern of both the City government and all local residents and businesses. The City aggressively responded to the discovery of perchlorate in the South Valley aquifer by taking the following actions:

- Closing the Tennant Avenue Well that is near the Olin Corporation site until a perchlorate treatment system can be activated;
- Testing all City wells for the presence of perchlorate on a monthly basis;
- Turning off all wells that tested above the then existing State Action Level using the State's mandated testing protocol;
- Installing a perchlorate removal plant at the Nordstrom Well in order to ensure an adequate supply of quality drinking water;
- Cooperating with the Santa Clara Valley Water District, Regional Water Quality Control Board, and State Department of Health Services on approaches to addressing perchlorate; and
- Pursuing recovery of the City's costs associated with perchlorate contamination.

As this report is published, the State is working on establishing a maximum contaminant level (MCL) for perchlorate. Once the MCL is established, which is expected to occur sometime later in 2004, the City will have a firm regulatory standard to meet. In the meantime, the State's Action Level for perchlorate is now set at 6 parts per billion. For additional information on perchlorate including test results, regulatory reports, and the status of cleanup efforts, visit the "What's New" page on the City's web site at [www.morganhill.ca.gov](http://www.morganhill.ca.gov).

SEE "PERCHLORATE", PAGE II

#### PERCHLORATE SURCHARGE IMPOSED

All of the actions described above have added significantly to the City's costs of operating the water system. The City is expected to have spent \$1.4 million on perchlorate-related costs by the end of June 2004 and a total of \$3.2 million by June 2007. These significant costs have threatened the financial stability of the City's water fund. In order to address this potential shortfall, the City has adopted a series of 5% surcharges on water fees. The 5% surcharge is needed solely to pay for the City's perchlorate-related costs. Perchlorate surcharge revenues will be accounted for separately and spent only on perchlorate-related costs. The first 5% surcharge went into effect April 1, 2004 with additional 5% surcharges effective January 1, of 2005, 2006, and 2007.

The need for future surcharges will be evaluated annually. Any amount determined to be in excess of the amount needed shall be refunded to customers. In addition, any repayments the City receives from any source to compensate the City for perchlorate-related costs will be credited to the perchlorate account in the Water Fund and shall also be refunded to customers if the repayments are determined to be in excess of the City's perchlorate-related costs. 💧

## A WORD ABOUT CHEMICALS & ORGANISMS

**H**ERE'S A BRIEF description of chemicals and organisms, and how the City of Morgan Hill monitors, tests, and treats for them:

**Methyl Tertiary-Butyl Ether (MTBE):** Added to gasoline either seasonally or year round in many parts of the United States to increase octane levels and reduce carbon monoxide and ozone levels in the air. In California, it has been added to gasoline since January 1996. The City of Morgan Hill has tested quarterly for MTBE in its 13 wells. No MTBE has been detected.

**Lead and Copper Testing:** In 1991, the EPA adopted the Lead and Copper Rule which requires all cities, including Morgan Hill, to perform lead and copper testing. The City's public water system does not have detectable lev-

## WATER SOURCES:

**M**ORGAN HILL is located in South Santa Clara County, situated between the Coyote and Llagas underground aquifers. These aquifers are the source of Morgan Hill's water supply.

The City currently operates 13 deep water wells located throughout the City. In 2003, these 13 wells supplied 2,518 million gallons of water for 10,841 homes and businesses in Morgan Hill. After the water comes out of these wells, it is treated with chlorine disinfectant to protect against microbial contaminants.

An assessment of the drinking water sources for the City of Morgan Hill was completed in September of 2002. The ground-water source is considered to be most vulnerable to the following activities associated with contaminants detected in ground water: animal feeding operations, and low density septic systems (occurrence of nitrate in groundwater.)

In addition, the source is considered most vulnerable to these activities, for which no associated contaminant has been detected: irrigated crops, grazing and animal operations and agricultural/irrigation wells, gas stations, dry cleaners, animal feeding operations, repair shops, sewer collection systems and pesticide/fertilizer/petroleum storage.

A copy of the complete assessment is available at the Department of Health Services, Drinking Water Field Operations Branch at 2151 Berkeley Way, Room 458, Berkeley, California and at the City of Morgan Hill Public Works Department at 100 Edes Ct. 💧

## WATER QUALITY DATA:

**T**HE TABLE (shown right) lists all the drinking water contaminants detected during the 2003 calendar year.

To ensure that tap water is safe to drink, the California Department of Health Services (DOHS) prescribes regulations which limit the amount of certain contaminants in water provided by public water systems. Morgan Hill's water is treated in accordance with the Department's regulations.

(1) Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the EPA's Safe Drinking Water Hotline (1-800-426-4791). (2) Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. USEPA/Centers for Disease Control (CDC) guidelines on appropriate means to lessen the risk of infection by Cryptosporidium and other microbial contaminants are available from the Safe Drinking Water Hotline (1-800-426-4791).

Unless otherwise noted, the data presented in this table is from testing done over the period January 1 - December 31, 2003. The State allows the City to monitor for certain contaminants less than once per year because the concentrations of these contaminants are not expected to vary significantly from year to year. Thus, some of the data - though representative of the water quality - is more than a year old. 💧

PARAMETER	DATE TESTED	UNITS	MCL	PHG (MCLG)	GROUNDWATER RANGE OF DETECTION			TYPICAL SOURCE OF CONTAMINANT	EXCEEDED MCL?
					LOW	HIGH	AVG.		
PRIMARY STANDARDS - MANDATED HEALTH RELATED STANDARDS									
CLARITY									
TURBIDITY	2003	NTU	5	N/A	0.05	0.90	0.50	SOIL RUNOFF	NO
ORGANIC CHEMICALS									
TOTAL TRIHALOMETHANES	QUARTERLY 2003	PPB	100	N/A	ND	7.4	1.1	BY-PRODUCT OF DRINKING WATER CHLORINATION	NO
INORGANIC CHEMICALS									
ASBESTOS	1995	MFL	7	(7)	ND	0.7	0.04	INTERNAL CORROSION OF ASBESTOS CEMENT WATER MAINS; EROSION OF NATURAL DEPOSITS	NO
BARIUM	2001	PPM	1	(2)	ND	0.15	0.05	DISCHARGES OF OIL DRILLING WASTES AND FROM METAL REFINERIES; EROSION OF NATURAL DEPOSITS.	NO
CHROMIUM	2001	PPB	50	(100)	4	24	9.5	DISCHARGE FROM STEEL AND PULP MILLS AND CHROME PLATING; EROSION OF NATURAL DEPOSITS	NO
CADMIUM <sup>(1)</sup>	2001	PPB	5	0.07	ND	1	0.07	INTERNAL CORROSION OF GALVANIZED PIPES; EROSION OF NATURAL DEPOSITS; DISCHARGE FROM ELECTROPLATING AND INDUSTRIAL CHEMICAL FACTORIES, AND FROM METAL REFINERIES; RUNOFF FROM WASTE BATTERIES AND PAINTS	NO
NITRATE (AS NO3)	2003	MG/L	45	45	11	39	20.7	RUNOFF AND LEACHING FROM FERTILIZER USE; LEACHING FROM SEPTIC TANKS AND SEWAGE; EROSION OF NATURAL DEPOSITS	NO
RADIOACTIVE CONTAMINANTS									
GROSS ALPHA ACTIVITY	QUARTERLY 2001	PCi/L	15	N/A	ND	2.75	.34	EROSION OF NATURAL DEPOSITS	NO
SECONDARY STANDARDS - AESTHETIC STANDARDS									
CHLORIDE	2002	MG/L	500	N/A	32	79	54	RUNOFF/LEACHING FROM NATURAL DEPOSITS; SEAWATER INFLUENCES	NO
SULFATE	2002	MG/L	500	N/A	22	49	40	RUNOFF/LEACHING FROM NATURAL DEPOSITS; INDUSTRIAL WASTES	NO
TOTAL DISSOLVED SOLIDS	2002	MG/L	1000	N/A	332	380	345	RUNOFF/LEACHING FROM NATURAL DEPOSITS	NO
IRON	2002	UG/L	300	N/A	ND	215 <sup>(2)</sup>	40	LEACHING FROM NATURAL DEPOSITS; INDUSTRIAL WASTES	NO
SPECIFIC CONDUCTANCE (E.C.)	2001	UMHO/CM	1,600	N/A	500	680	592	SUBSTANCES THAT FORM IONS WHEN IN WATER; SEAWATER INFLUENCES	NO
COLOR	2002	UNITS	15	N/A	ND	5	.77	NATURALLY - OCCURRING ORGANIC MATERIALS	NO
ODOR—THRESHOLD	2002	TON	3	N/A	1	1	1	NATURALLY - OCCURRING ORGANIC MATERIALS	NO
SODIUM	2002	PPM	NS	N/A	18	39	25	“SODIUM” REFERS TO THE SALT PRESENT IN THE WATER AND IS GENERALLY NATURALLY OCCURRING.	NS
LIST OF ADDITIONAL CONSTITUENTS ANALYZED									
PH	2002	UNIT	NS		7.4	7.9	7.6	RUNOFF/LEACHING FROM NATURAL DEPOSITS	NS
HARDNESS	2002	PPM	NS		223	302	253	RUNOFF/LEACHING FROM NATURAL DEPOSITS	NS
HARDNESS	2002	GRAINS/GAL	NS		13	18	15	RUNOFF/LEACHING FROM NATURAL DEPOSITS	NS

PARAMETER	DATE TESTED	UNITS	ACTION LEVEL	PHG (MCLG)	NUMBER OF SITES SAMPLED	HOUSEHOLD RESULTS 90 <sup>TH</sup> PERCENTILE	TYPICAL SOURCE OF CONTAMINANT	ACTION LEVEL EXCEEDED?
LEAD AND COPPER								
LEAD	6/03	PPB	15	2	32	12PPB	CORROSION OF HOUSEHOLD PLUMBING SYSTEMS	NO
COPPER	6/03	PPM	1.3	.17	32	.57PPM	CORROSION OF HOUSEHOLD PLUMBING SYSTEMS	NO

PARAMETER	DATE TESTED	UNITS	ACTION LEVEL	PHG (MCLG)	GROUNDWATER RANGE OF DETECTION			TYPICAL SOURCE OF CONTAMINATION	ACTION LEVEL EXCEEDED?
					LOW	HIGH	AVG.		
RADON QUARTERLY	2000	PCi/L	NS	NS	459	828	597	MANUFACTURING USE OF LUBRICATING OILS; FABRICS; DYES; RUBBER; PAINTS; FIREWORKS; AND CERTAIN FERTILIZERS	NS
PERCHLORATE <sup>(3)</sup>	2003	PPB	4	NS	ND	3.0	ND		NO
CHROMIUM VI	2002	PPB	NS	NS	ND	4.0	1.8		NS
VANADIUM	2003	PPB	50	NS	ND	6.0	1		NO
BORON	2003	PPB	1000	NS	ND	100	32		NO

<sup>(1)</sup>In August of 2001, one well had a test result over the PHG at 1ppb. Subsequent testing in April of 2004 was ND. The DLR for testing purposes is 1ppb. <sup>(2)</sup>San Pedro Well: Initial sample taken after well development was 310 ppb, which was above the MCL however; a confirming sample taken was 120 ppb for a sample average of 215 ppb, which is below the MCL. <sup>(3)</sup>The City of Morgan Hill tested all production wells on a monthly basis for Perchlorate in 2003, with a range of preliminary samples taken from 6 ppb to ND. Any well that exceeded the Action Level of 4 ppb on the preliminary sample was taken offline or modified, as in the case of Nordstrom Well, at which the City installed an Ion Exchange Treatment Plant to remove Perchlorate to below the Action Level. For more detailed information regarding tests and wells tested, please refer to the City of Morgan Hill website at [www.morgan-hill.ca.gov](http://www.morgan-hill.ca.gov).

TERMS & ABBREVIATIONS USED IN THE DATA TABLES									
<b>Public Health Goal (PHG):</b> The level of a contaminant in drinking water below which there is no known or expected risk to health. PHG's are set by the California Environmental Protection Agency.									
<b>Maximum Contaminant Level Goal (MCLG):</b> The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLG's are set by the U. S. Environmental Protection Agency									
<b>Maximum Contaminant Level (MCL):</b> The highest level of a contaminant that is allowed in drinking water. Primary MCL's are set as close to PHG's or (MCLG's) as is economically and technologically feasible. Secondary MCL's are set to protect the odor, taste, and appearance of drinking water.									
<b>Regulatory Action Level (AL):</b> The concentration of a contaminant which, when exceeded, triggers treatment or other requirements that a water system must follow									
<b>grains per gallon:</b> The measure of the concentration of a solution									
<b>ton:</b> A measure of the odor associated with water									
<b>umho/cm:</b> The measure of the dissolved inorganic salt content									
<b>&lt;</b> Less Than									
<b>Detection Limits for Purposes of Reporting (DLR):</b> The analytical detection level of a contaminant at which the California Department of Health Services is confident about the quantification of the contaminant's presence in drinking water. Data are required to be submitted if detections are at or above the DLR.									
<b>MFL:</b> Million Fibers per Liter; with a fiber length greater than 10 micrometers									
<b>n/a:</b> not applicable									
<b>nd:</b> not detectable at testing limit									
<b>ug/L:</b> micrograms per liter									
<b>mg/L:</b> milligrams per liter									
<b>ntu:</b> Nephelometric Turbidity Unit									
<b>ns:</b> no standard									
<b>ppb:</b> parts per billion or micrograms per liter									
<b>ppm:</b> parts per million or milligrams per liter									
<b>pCi/l:</b> picocuries per liter (a measure of radiation)									

Contaminants that may be present in source water before we treat it:

**Microbial contaminants**, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations and wildlife.

**Inorganic contaminants**, such as salts and metals, which can be naturally occurring or result from urban storm water runoff, industrial or domestic wastewater discharges, oil and gas production, mining or farming.

**Pesticides and herbicides**, which may come from a variety of sources such as agricultural and residential uses.

**Radioactive contaminants**, which are naturally occurring.

**Organic chemical contaminants**, including synthetic and volatile organic chemicals, which are by-products of industrial processes and petroleum production, and can also come from gas stations, urban runoff, and septic systems.

els of lead and copper; however, these metals may leach into the water from home plumbing.

In June of 1997 the City completed Lead and Copper testing from inside homes under the guidance of the Department of Health Services. Results showed that the Copper levels were below the Federal Action Level of 1300 parts per billion (ppb), and the Lead levels were below the Federal Action Level of 15 parts per billion (ppb).

The City is on a three year cycle for testing of Lead and Copper determined by the primary testing performed at the first inception of the Lead and Copper Rule. The City completed its tri-annual sampling in June of 2003.

**Nitrates:** Nitrates in drinking water at levels above 45 mg/l is a health risk for infants below the age of six months. High nitrate levels in drinking water can interfere with the capacity of the infant's blood to carry oxygen, resulting in serious illness. Symptoms include shortness of breath and blueness of the skin.

High nitrate levels may also affect the ability of the blood to carry oxygen in other individuals, such as pregnant women and those with certain specific enzyme deficiencies. Nitrate levels may rise quickly in short periods of time because of rainfall or agricultural activity. If you are caring for an infant, you should ask advice from your health care provider, or choose to use bottled water for mixing formula and juice for your baby. If you are pregnant, you should drink bottled water.

The City's water supply is below the MCL for nitrates. The City performs an average of 15 separate tests per week for nitrates alone to ensure a safe water supply.

**Unregulated Contaminants:** The City proactively monitors for unregulated contaminants. This helps the EPA and the California Department of Health Services determine where certain contaminants occur, and whether the contaminants need to be regulated.

**Radon:** The City tested its source waters for radon on a quarterly basis in 2000. Radon is a radioactive gas that you can't see, taste, or smell. It is found throughout the U.S. Radon can move up through ground and into a home through cracks and holes in the foundations. Radon can build up to high levels in all types of homes. Radon can also get into indoor air when released from tap water from showering, washing dishes, and other household activities.

Compared to Radon entering the home through the soil, radon entering the home through tap water will in most cases be a small source of radon in indoor air. Radon is a known human carcinogen. Breathing air containing radon can lead to lung cancer. Drinking water containing radon may also cause an increased risk of stomach cancer.

If you are concerned about radon in your home, test the air in your home. Testing is inexpensive and easy. Fix your home if the level of radon in your air is 4 picocuries per liter of air (pCi/L) or higher. There are simple ways to fix a radon problem that aren't too costly. For additional information, call your State radon program, or call EPA's Radon Hotline. 1-800-SOS-RADON).

## WATER SAMPLING AND TESTING:

**T**HE ANNUAL water sampling required by the State Department of Health Services consists of Bacteria (520 samples), Nitrate (780 samples), Turbidity (52 samples), and Trihalomethanes (32 samples) for a total of 1,384 samples from the 40 separate sample stations and source facilities located throughout the City's water distribution system. The City averages between 40 to 50 Bacteria samples a month. In November of 2003, one of the samples was found to be positive for coliform bacteria but confirming samples were negative.

Monthly bacteria samples are also taken at the 13 water wells from which the community gets its water supply.

## WATER SYSTEM IMPROVEMENTS

**T**HE CITY'S water system consists of 13 production wells, 110 miles of water mains, 9 pumping stations, and 10 reservoirs. This complex, inter-related system requires 24-hour monitoring and an extensive program of ongoing maintenance. Additionally, a 5-year program of capital improvements must be constantly updated to plan and fund new capacity and the replacement of outdated infrastructure. Recent improvements to the City's water system include:

- Completed construction of Edmundson Reservoir and completed redesign of Boy's Ranch Reservoir
- Completed San Pedro Well and Main II Well pump Stations
- Completed installation of water main at E. Main and UPRR crossing
- Initiated installation of new SCADA system (this computerized monitoring of water reservoir levels and pumping equipment operations throughout the entire water supply system improves efficiency and reporting)
- Completed design for rehabilitation of Jackson Oaks Booster Station
- Completed preliminary design of 16" water main between Church St. and Del Monte Ave.
- Completed design and installation of water main feeding Jackson Oaks tank

**CITY OF MORGAN HILL  
SPECIAL CITY COUNCIL MEETING  
MINUTES – APRIL 28, 2004**

**CALL TO ORDER**

Mayor Kennedy called the special meeting to order at 7:02 p.m.

**ROLL CALL ATTENDANCE**

Present: Council Members Carr, Chang, Tate and Mayor Kennedy  
Absent: Mayor Pro Tempore Sellers

**DECLARATION OF POSTING OF AGENDA**

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

***City Council Action***

**PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

City Manager Tewes reported on perchlorate testing. He stated that the April results indicate that all City wells tested at none detect levels, using the State approved testing regiment which tests down to 4 parts per billion. He said that staff understands that there are seasonalities in terms of water usage, and that the City is on its way to installing a perchlorate treatment plant at the Nordstrom well, one of the City's largest water producers. He indicated that it is staff's belief that this well will come on line in another week or two.

Mayor Kennedy indicated that he joined the Silicon Valley Manufacturing Group along with 14 other elected officials and approximately 60 business leaders/CEOs on a Sacramento legislative trip. He stated that everyone was encouraged with the meetings held with State legislators. He said that there is a growing optimism that the Governor is having some success in bringing the two parties together to achieve bipartisan agreements. He stated that there is a growing sense that there may be a possibility of adding revenue sources and that the State not depend solely on cost cutting efforts. He said that the Silicon Valley Manufacturing Group focused on preserving funding for higher education and easing environmental (CEQA) requirements on transient-oriented development. Doing so will make it easier to approve an infill transit oriented housing development such as the one being proposed by Rocke Garcia in the downtown area. He indicated that the Governor has suspended Proposition 42 transportation funding that funds Bart. He stated that there is a measure/bill that is being circulated that would stop the diversion/shifting of funds from the Bart project and other transportation projects to the general fund. This bill will protect transit funds earmarked for Bart, Caltrain expansion, and other transit projects in Silicon Valley. Also, discussed were business investment credits and other measures that are important to businesses.

Council Member Carr said that there is a renewed bipartisan spirit in Sacramento regarding solving problems versus casting blame. He said that there is some optimism about revenue sources such as the State's amnesty program that resulted in \$1 billion. Although there was discussion about not cutting community college funding and not raising community college fees further, a question that frequently was asked is "what else should be cut?" He said that it is clear that the State cannot continue to save/fund every program with decreased funding. He said that the State will still have difficult decisions/choices to make. He felt that State legislators understand the challenges that local legislators are facing, an understanding that has not been acknowledged in past trips to Sacramento. He expressed concern that suspension of Proposition 42 funding will affect local government's ability to perform some of the much needed traffic measures. He felt that the trip to Sacramento was very positive.

Mayor Kennedy felt that there is a strong feeling/optimism that State and local government will be able to work their way through this budget situation.

Council Member Chang reported that the Santa Clara County Water District met on Monday and that they are proposing a rate increase which equates to 25% of the City's pump tax (equivalent to 5% of the City's water rates for the next ten years). She indicated that she, City staff, and Mayor Kennedy attended the meeting and requested that the Water District make an adjustment to the rate increase. She stated that another meeting/hearing will be held on May 4, 2004, 9:30 a.m. at the Water District's office located on Almaden Expressway. She requested that citizens attend this meeting, especially if they are unhappy with the proposed rate increase.

Mayor Kennedy said that he presented a report, prepared by City Manager Tewes, to the Water District Board of Directors. The idea of spreading out the cost increase over a longer period of time and the idea that it may not be necessary to shift some of the costs from agricultural users to subsidize those used by municipal and industrial suppliers was acknowledged. If this is to be done, it was suggested that the City obtain environmental concessions in return (e.g. agricultural/open space easements). It was recommended that the Water District look at cost cutting measures as has been done by cities throughout the region and the state. He did not believe that there has been much effort on the part of the Water District to cut costs. Therefore, the City has asked that they take a harder look at their costs before increasing rates. He felt that the Water District heard the City loud and clear and that the City made an impact.

No further comments were offered.

## ***City Council Action***

### **CONSENT CALENDAR:**

**Action:**      *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Sellers absent, **Approved** Consent Calendar Item 1, as follows:*

1. **RECYCLING GRANT**

**Action: Adopted** Resolution No. 5786, Authorizing the City Manager to Request Funding.

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

**ADJOURNMENT**

There being no further business, Mayor Kennedy adjourned the meeting at 7:32 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK**

**CITY OF MORGAN HILL  
SPECIAL CITY COUNCIL MEETING  
MINUTES – MAY 5, 2004**

**CALL TO ORDER**

Mayor Kennedy called the special meeting to order at 7:10 p.m.

**ROLL CALL ATTENDANCE**

Present: Council Members Carr, Chang, Sellers, Tate and Mayor Kennedy

**DECLARATION OF POSTING OF AGENDA**

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**PUBLIC COMMENT**

Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda.

Martin Kapetanic, on behalf of Morgan Hill Aquatics Corporation, thanked the Morgan Hill Times for publishing the brick fundraiser event. She advised the Council and the public that the deadline to order a donor brick is May 14 so that they can be installed prior to the aquatics center grand opening event. She indicated that over 100 bricks have been sold. She requested the public's support of the aquatics center.

No further comments were offered.

**Note:** The Council deferred action on item 1 to the conclusion of the Special/Regular City Council and Special Redevelopment Agency meeting agenda which occurred at 9:26 p.m.

***City Council Action***

**OTHER BUSINESS:**

**1. VOTING DELEGATE FOR THE LEAGUE OF CALIFORNIA CITIES' SPECIAL MEETING OF MAY 13, 2004.**

Mayor Kennedy indicated that he requested that this item be placed on the agenda because the League of California Cities will be meeting with the Governor's staff on a proposed agreement. He noted that the League will be taking action on the Governor's proposal on May 13, 2004 once the details have been identified. He stated that the action before the Council is to designate a voting delegate and alternate to the May 13, 2004 special meeting of the League of California Cities.

Mayor Pro Tempore Sellers stated that he met with the Monterey County League representative who presented an update of the Governor's proposal. He said that it would be great to have the Governor support the League's ballot initiative while on the other hand; the deal has to make sense to the cities in the long run. He indicated that the League and the Governor's office have been involved in negotiations and that it is hopeful that there will be a similar outcome to what was seen with the Workers Compensation and other issues where the Governor entered into negotiations and finalized resolution. However, it will not be known until the end of the week as to whether an agreement between the League and the Governor's office has been reached. He stated that the Legislative Subcommittee met via telephone yesterday in order to provide an update and to provide direction to the Council. The Legislative Subcommittee concurred that it made sense for the Mayor to be the voting delegate and that the Subcommittee was interested in doing whatever can be done to share the revenue stream in terms of property taxes. He indicated that the Governor is interested in reducing the amount that comes from the Vehicle License Fee to cities. If this occurs, there is concern as to where revenue will come from. The Subcommittee believes that the best interest for Morgan Hill is to provide additional property tax revenues and use this as leverage. He indicated that the Legislative Subcommittee can provide the Mayor with more information, if needed.

Council Member Carr said that the Governor has learned the power of the initiative process in order to get things done. He said that the Cities Association and cities like Morgan Hill should work toward changing the funding process for local governments, getting funding back to one that is related to property taxes instead of sales tax. He noted that sales taxes have driven cities into making fiscal land use decisions resulting in poor development patterns and not developing housing that is needed in California. He felt that this discussion should be undertaken with the Governor if he is willing to enter into negotiations with the League. It is his hope that this is a position that the League would be opened to taking.

Council Member Chang noted that League members will be traveling to Sacramento on May 12 and returning that evening. She did not believe that there would be many League members in Sacramento on May 13. She inquired whether a vote will be taken on May 13 and whether everyone will be invited to participate in the special meeting/vote.

Mayor Pro Tempore Sellers noted that a majority of the Council will be in Sacramento on May 13 and that the League requested one representative from each city to be a voting delegate. He indicated that each council member can provide input to the Mayor.

**Action:**      *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Ratified** Mayor Kennedy's Appointment as the City's Voting Delegate and Mayor Pro Tempore Sellers as the Alternate Voting Delegate to the League of California Cities' Special Meeting of Thursday, May 13, 2004.*

**Action:**      *On a motion by Mayor Pro Tempore Sellers, and seconded by Council Member Tate, the City Council unanimously (5-0) **Directed** the City Clerk to Complete the Voting Delegate Form and Forward said form to the League of California Cities.*

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

**ADJOURNMENT**

There being no further business, Mayor Kennedy adjourned the meeting at 9:31 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **ACCEPTANCE OF SIDEWALK, CURB & GUTTER REMOVAL AND REPLACEMENT, PHASE III 2003-2004 PROJECT**

#### **RECOMMENDED ACTION(S):**

1. Accept as complete the Sidewalk, Curb & Gutter Removal and Replacement, Phase III 2003-2004 Project in the final amount of \$95,874.
2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

#### **EXECUTIVE SUMMARY:**

The contract for the Sidewalk, Curb & Gutter Removal and Replacement, Phase III 2003-2004 Project was awarded to Monterey Peninsula Engineering, Inc., by the City Council at their November 5, 2003 meeting in the amount of \$65,140. In addition, a change order request was approved by City Council at their March 17, 2004 meeting to perform additional driveway, curb, and gutter at 575 San Pedro Avenue for \$22,500. The overall project resulted in the removal and replacement of 6575 SF of sidewalk, 530 LF of curb and gutter, 3 driveways, and Asphalt Concrete Patching.

The work has been completed in accordance with the plans and specifications.

#### **FISCAL IMPACT:**

This project is budgeted in the 2003-04 Street Maintenance Budget. The allocated project construction cost including a 10% contingency was \$8,764. The contract was awarded in the amount of \$65,140 and the final contract price is \$95,874.

**Agenda Item # 20**

**Prepared By:**

\_\_\_\_\_  
**Assistant Engineer**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

Record at the request of  
and when recorded mail to:

CITY OF MORGAN HILL  
CITY CLERK  
17555 Peak Avenue  
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION  
CITY OF MORGAN HILL

**Sidewalk, Curb & Gutter Removal and Replacement, Phase III 2003-2004 Project**

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 19<sup>th</sup> day of May, 2004, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to Monterey Peninsula Engineering, Inc., on November 5, 2003, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on April 9, 2004, accepted by the City Council on May 19, 2004, and that the name of the surety on the contractor's bond for labor and materials on said project is The Continental Insurance Company.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefor approved by the City Council of said City.

Name and address of Owner: City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, California

Dated: \_\_\_\_\_, 2004.

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Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk  
City of Morgan Hill, CA  
Date:



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

**SUBDIVISION SD 04-07: Central-South County Housing**

### **RECOMMENDED ACTION(S):**

Take no action, thereby concurring with the Planning Commission's decision regarding approval of the subdivision map.

### **EXECUTIVE SUMMARY:**

A request for approval of an 11-lot subdivision map for a single family attached development proposed on a 1.5 acre site located on the north side of E. Central Ave., east of McLaughlin Ave. and west of the rail road tracks.

The current subdivision request is for 11-lots ranging in size from 2,390 to 7,030. The proposed subdivision represents the balance of the 16 unit project consisting of lots 1, 2 & 8-16. Lots 3-7 were part of the previous 5-lot subdivision which was approved by the Planning Commission in December 2003 (see attached "Exhibit A").

In April 2004, this project received 9 affordable allocations which would allow only nine lots to be created. To create lots 1 & 2, the applicant will need to process a lot line adjustment to reconfigure the lot surrounding the existing home (to be replaced) and reconfigure one of the two other existing lots. The attached "Exhibit B" illustrates the recommended lot line adjustments which will create lots 1 & 2. The lot line adjustments will need to be record prior to the recordation of the proposed 9 lot subdivision. Lot 1 is being created as a replacement of the existing unit and lot 2 would be created through adjustment of an existing lot and utilization of a single lot exemption.

The tentative map approval at this time would consist of lots 8-16 within the south eastern portion of the RPD. The final map will need to exclude lots 1 & 2 for the reasons stated above. The overall form of the subdivision, the lot layout, circulation and lot sizes are each per the approved RPD plan.

This application was reviewed by the Planning Commission at their May 11, meeting, at which time the Commission voted 5-0 (Engles, Weston absent) approving the request. The Planning Commission resolution, conditions of approval, and subdivision map are attached. The staff report for the subdivision is attached to the development agreement request within this same agenda.

**FISCAL IMPACT:** No budget adjustment required

**Agenda Item # 21**

**Prepared By:**

**Senior Planner**

**Approved By:**

**Community  
Development Director**

**Submitted By:**

**City Manager**

## **RESOLUTION NO. 04-47**

**A RESOLUTION OF THE PLANNING COMMISSION OF  
THE CITY OF MORGAN HILL APPROVING A 9-LOT  
MULTI-FAMILY LOW RESIDENTIAL SUBDIVISION ON  
1.5-ACRE SITE, LOCATED ON THE EAST SIDE OF  
MCLAUGHLIN AVENUE, NORTH OF CENTRAL AVE.  
(APNS 726-24-007, 022, 023, & 024)**

**WHEREAS**, such request was considered by the Planning Commission at their regular meeting of May 11, 2004 at which time the Planning Commission approved subdivision application SD-04-07: Central-South County Housing; and

**WHEREAS**, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

**NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES  
RESOLVE AS FOLLOWS:**

**SECTION 1.** The approved project is consistent with the Zoning Ordinance and the General Plan.

**SECTION 2.** An environmental initial study has been prepared for this project, and has been found complete, correct and in substantial compliance with the requirements of the California Environmental Quality Act. A mitigated Negative Declaration has been filed.

**SECTION 3.** The proposed subdivision will not result in a violation of the requirements established by the Regional Water Quality Control Board.

**SECTION 4.** The approved project shall be subject to the conditions as identified in the set of standard conditions attached hereto, as exhibit "A", and by this reference incorporated herein.

**PASSED AND ADOPTED THIS 11th DAY OF MAY, 2004, AT A SPECIAL MEETING  
OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:**

**AYES: COMMISSIONERS:**

**NOES: COMMISSIONERS:**

**ABSTAIN: COMMISSIONERS:**

**ABSENT: COMMISSIONERS:**

**ATTEST:**

**APPROVED:**

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**FRANCES O. SMITH**  
Deputy City Clerk

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**JOSEPH. H. MUELLER**  
Chair

**A F F I D A V I T**

I, \_\_\_\_\_, applicant, hereby agree to accept and abide by the terms and conditions specified in this resolution.

\_\_\_\_\_  
, Applicant

\_\_\_\_\_  
Date

**OTHER CONDITIONS:**

- \_\_\_\_\_ 1. Lots 1 & 2 (south east corner of project) shall be created through the lot line adjustment process prior to the recordation of the final map. (PLNG)
- \_\_\_\_\_ 2. A 12" water main shall be installed in Central Ave. from Monterey Rd. east to the railroad. (PWKs)
- \_\_\_\_\_ 3. Project shall comply with all Measure P commitments. (PWKs)
- \_\_\_\_\_ 4. Provide on-site detention pond to detain increased run-off due to site development. (PWKs)
- \_\_\_\_\_ 5. Provide required right of way dedication on McLaughlin Ave. (PWKs)
- \_\_\_\_\_ 6. Provide full street improvements along McLaughlin Ave. frontage. (PWKs)
- \_\_\_\_\_ 7. Underground all overhead utilities within the project boundaries. (PWKs)
- \_\_\_\_\_ 8. Obtain encroachment permit prior to doing any work in the City's right of way. (PWKs)
- \_\_\_\_\_ 9. The project shall install sidewalk along the west side of McLaughlin Ave. to connect to the existing sidewalk. The extent of the sidewalk improvements shall be to the review and approval of the Director of Public Works.



## **REDEVELOPMENT AGENCY**

**MEETING DATE:** *May 19, 2004*

Agenda Item # 22

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director

### **MORGAN HILL UNITED METHODIST CHURCH LOAN MODIFICATION**

#### **RECOMMENDED ACTION(S):**

- 1) Amend the existing loan agreement with the United Methodist Church to allow for the 6.5 year extension of repayment period and the temporary suspension of principal payments as requested; and,
- 2) Authorize the Executive Director to do everything necessary and appropriate to amend and execute the loan as approved, subject to City Attorney review.

**EXECUTIVE SUMMARY:** In May of 1988, the Morgan Hill Redevelopment Agency ("Agency") provided an historic preservation loan to the Morgan Hill United Methodist Church ("Church") which is located at 17175 Monterey Road. The loan, in the amount of \$100,000, was to be paid in 180 monthly installments (15 years) commencing on July 1, 1989 and ending June 1, 2004. No interest was to be charged on the loan.

Because of its age, the Church has higher than normal operating, maintenance and repair costs. It has reached a point where it again needs some significant work. The Church is requesting that it be allowed an 18 month hiatus from loan payments to use money normally budgeted for the loan to pay for repairs instead. (See attached letter.) In return, the Church is offering to have the Agency impose a 3% interest rate on the loan, and to make interest-only payments during that 18 month period. Following this period, the Church would like permission to pay off the remaining balance, at the same 3% interest rate, over a 5-year period.

In July 1994, staff turned its loan processing responsibilities over to Amerinational Community Services Group. Staff determined that it lacked appropriate financial software and wanted to free itself for other functions. However, Amerinational charges a monthly administration fee of \$12.50 to each of its accounts, and began adding that to the monthly bill to the Church. The Church is requesting that all past fee charges now be credited as principal payments on the loan, and that it no longer be responsible for the fee.

If the Agency credits the administrative fees, the loan balance would be \$11,974.20. The loan balance is higher than it should be because the Church retained a new minister in 1992. He was not aware of the loan and made budgeting commitments which made it difficult for the Church to meet its payments over the next two years. So a number of payments were missed.

Under the proposed loan restructuring, the interest-only payments from June 2004 through December 2005 would be \$29.95 per month. Then, in January 2006, when the new amortization period would commence, the payment would rise to \$215.16. The current payment is \$568.25. The proposed amendments would make the loan more manageable for the Church while the increased interest rate compensates the Agency for the prolonged time needed to recoup its funds.

**FISCAL IMPACT:** The Agency will absorb the cost of administration fees applied to date and in the future. However, the new interest rate will cover all except \$861 of those costs.



**CITY COUNCIL & REDEVELOPMENT**  
**AGENCY STAFF REPORT**

**MEETING DATE:** *MAY 19, 2004*

**CITY MANAGER'S PROPOSED 2004/05 BUDGET AND  
CAPITAL IMPROVEMENT PROGRAM**

**RECOMMENDED ACTIONS:**

- 1) Receive the City Manager's Proposed 2004/05 Budget & Capital Improvement Program (CIP),
- 2) Set May 21, 2004 as a budget workshop and CIP workshop,
- 3) Set June 2, 2004 as a Public Hearing on the Budget; and
- 4) Set June 16, 2004 for Adoption of the 2004/05 Budget.

**EXECUTIVE SUMMARY:**

City staff has completed the City Manager's Proposed 2004/05 Budget and Capital Improvement Program (CIP) for the years 2004/05 through 2008/09. The Budget and CIP are combined within one document. The CIP is located as an appendix at the back of the Budget. The Budget document is provided under separate cover, and will be distributed prior to the City Council meeting

Staff recommends that a Budget workshop be held by the City Council on Friday, May 21 from 8:30 AM to 12:30 PM; and that a CIP workshop be held on that same day from 1:30 PM to 5:00 PM. Staff also recommends that, following these workshops, a Public Hearing on the Budget be held on Wednesday, June 2 at 7:30 PM; with final adoption of the Budget to be scheduled for the meeting of Wednesday, June 16.

**FISCAL IMPACT:** The fiscal impact is discussed within the City Manager's budget message, which is located at the front of the Budget document. At this time, it appears likely that reductions in City revenues caused by current State budget proposals will make it necessary for staff to return to the City Council with approximately \$100,000 in additional General Fund expenditure reductions beyond those cuts incorporated in the proposed Budget.

**Agenda Item # 23**

**Prepared By:**

\_\_\_\_\_  
**Finance Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager/  
Executive Director**

**CITY OF MORGAN HILL  
JOINT REGULAR REDEVELOPMENT AGENCY  
AND SPECIAL CITY COUNCIL MEETING  
MINUTES – APRIL 28, 2004**

**CALL TO ORDER**

Chairman/Mayor Kennedy called the special meeting to order at 7:02 p.m.

**ROLL CALL ATTENDANCE**

Present: Agency/Council Members Carr, Chang, Sellers, Tate and Chairperson/Mayor Kennedy  
Absent: Vice-chairman/Mayor Pro Tempore Sellers

**DECLARATION OF POSTING OF AGENDA**

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

**PRESENTATION**

Julie Osborne, South Valley Disposal and Recycling, recognized the Lacerda Family as the residential and Pacific Oak Properties (Vineyard Town Center) as the 2003 business "Recyclers of the Year."

**CITY COUNCIL SUB-COMMITTEE REPORT**

None.

**OTHER REPORTS**

City Treasurer Roorda presented the Finance & Audit Committee Quarterly Report. He stated that it is his observation, three quarters into Fiscal Year 2003-04; that the City has made some progress in terms of reducing costs. The City has also made progress on the revenue side although it is not as bright as everyone would like it to be going into the future. He said that the City had a slippage in sales tax revenue in the past couple of years. However, the City has seen some positive results above and beyond what the City had projected in terms of growth as it relates to property taxes. As the City has a more diverse revenue base for the general fund, this helps offset some of the decline in sales tax. He indicated that franchise fees come in later in the year. He said that it appears that the City will be coming in close to budget by the end of the year based on his discussions with the Finance Director. He felt that the hotel tax and other funding areas may come in slightly below by the end of the year. However, revenues tend to ramp up over the course of the year. Therefore, the City may see some improvements in these areas than what has been seen to date. He addressed the vehicle in lie fee (VLF), indicating that there was a period of time where the City did not receive its normal fees (e.g., approximately \$400,000-

\$600,000). He said that the State has indicated that this money will be refunded to the City in Fiscal Year 2006-07. Although this revenue is not coming in this year, it will be revenue to be expected in the future. He indicated that the Finance & Audit Committee has projected that the City will have a slight deficit when you compare revenues and expenses budgeted this year. He said that a large component of this shortfall appears to be from the VLF. He stated that overall the City has had a rebalancing, even with the shortfall in revenue, to help the City achieve its overall objective. He said that the City may need to dip into the general fund reserves once it nets out revenues/expenses by approximately \$900,000. However, there is a potential of \$600,000 being recuperated in a couple of years. Therefore, the City's original budgeted deficit of \$300,000 may be where the City ends up. He indicated that staff may be coming up with budget information for next year that will include information on how the City will end up the year as staff looks at more detailed information.

Mayor Kennedy noted that City Treasurer Roorda mentioned that the VLF fees lost for a 3-4 month period would be refunded. He inquired whether the City would in fact be refunded these fees.

City Manager Tewes indicated that the legislature enacted a law, signed by the Governor, that took away the VLF but provided that these funds be returned to cities in Fiscal Year 2006. He stated that this revenue equates to approximately \$600,000 and is included in the City's long range forecast to Fiscal Year 2006. He said that everyone is awaiting the Governor's May revise to the State's budget and that it is clear, from news accounts, that the Governor and the finance officer are still seeking substantial shifts in revenues from local government to the State in the amount of \$1.3 billion for each of the next 2 years.

Mayor Kennedy said that he stopped by Home Depot's grand opening celebration, indicating that he missed the formal grand opening based on a return trip from Sacramento. He said that he and Council Member Carr were in Sacramento lobbying to protect the City's financial resources as well as education and other issues. He spoke to the Home Depot assistant manager who stated that the response exceeded their expectations and that this appears to be one of their best grand openings in this region. He encouraged residents/the public to shop in Morgan Hill as the City desperately needs these sales tax dollars in order to provide basic services.

Council Member Tate indicated that he attended the Home Depot grand opening where they presented a check in the amount of \$2,000 to the Morgan Hill Community Foundation. He stated that Home Depot believes in giving back to the community and that this is an example of their giving back to the community.

Council Member Tate and Mayor Kennedy stated that the Home Depot is a welcomed addition to Morgan Hill as they are good neighbors and community citizens.

### **PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

City Manager Tewes reported on the perchlorate testing. He indicated that the April results indicate that all City wells tested at none detect levels, using the State approved testing regiment which tests down to 4 parts per billion. He stated that staff understands that there are seasonalities and that the City is on its way to installing a perchlorate treatment plant at the Nordstrom well, one of the City's largest water producers. He indicated that it is staff's belief that this well will come on line in another week or two.

Mayor Kennedy indicated that he joined the Silicon Valley Manufacturing Group, along with 14 other elected officials and approximately 60 business leaders/CEOs, on a trip to Sacramento. He stated that everyone was encouraged with the meetings held with State legislators. He said that there is a growing optimism that the Governor is having some success in bringing the two parties together to achieve bipartisan agreements. He stated that there is a growing sense that there may be a possibility of adding revenue sources and not depend solely on cost cutting efforts. He said that the major issues focused upon were preserving funding for higher education and easing environmental (CEQA) requirements for transient oriented development. Doing so will make it easier to approve an infill transit oriented housing development such as the one being proposed by Rocke Garcia in the downtown area. He indicated that the Governor has suspended Proposition 42 transportation funding that would have funded Bart. He said that there is a measure/bill being circulated that would stop the diversion/shifting of funds from Bart and other transportation projects to the general fund. This bill will protect transit funds earmarked for Bart, Caltrain expansion, and other transit projects in Silicon Valley. Also, discussed were business investment credits and other measures that are important to businesses.

Council Member Carr said that there is a renewed bipartisan spirit in Sacramento regarding solving problems versus casting blame. He said that there is optimism about revenue sources coming in such as the State's amnesty program that resulted in \$1 billion that was not expected. Although there was discussion about not cutting community college funding and not raising community college fees further, a question that was frequently asked is "what else should be cut?" He said that it is clear that the State cannot continue to save/fund every program with decreased funding sources available. He said that the State will still have difficult decisions/choices to make. He felt that State legislators understand the challenges local legislators are facing, an understanding that he has not heard acknowledged in past trips to Sacramento. He said that some State decisions affect local government such as the suspension of Proposition 42 funding and a local government's ability to perform the much needed traffic measures. He felt that the trip to Sacramento was a positive one.

Mayor Kennedy felt that everyone came away from this trip with positive views compared to last year. He felt that there is a strong feeling/optimism that the State and local government will be able to work their way through this budget situation.

Council Member Chang reported that the Santa Clara County Water District met on Monday and that they are proposing a rate increase which equates to 25% of the City's pump tax. She indicated that she, City staff, and Mayor Kennedy attended the meeting and requested that the Water District make an adjustment to the rate increase. She stated that another meeting/hearing will be held on May 4, 2004, 9:30 a.m., at the Water District's office located on Almaden Expressway. She requested that citizens attend this meeting, especially if they are not happy with the proposed rate increase.

Mayor Kennedy said that he presented a report, prepared by City Manager Tewes, to the Water District's Board of Directors. He stated that the idea of spreading cost increases over a longer period of time, and the idea that it may not be necessary to shift some of the costs from agricultural users to subsidize those used by municipal and industrial suppliers was acknowledged. If this is to be done, it was suggested that the City obtain some environmental concessions in return (e.g. agricultural/open space easements). It was recommended that the Water District look at cost cutting measures as has been done by cities throughout the region and state. He did not believe that there has been much effort, on the part of the Water District, to cut costs. Therefore, the City has asked that they take a harder look at their cost side of the issue before they increase rates. He felt that the City made an impact and that the Water District heard the City loud and clear. It is his hope that the Water District will modify what they are proposing to do.

No further comments were offered.

## ***Redevelopment Agency Action***

### **CONSENT CALENDAR:**

**Action:**        *On a motion by Agency Member Tate and seconded by Agency Member Carr, the Agency Board, on a 4-0 vote with Vice-chairman Sellers absent, **Approved** Consent Calendar Item 1, as follows:*

#### **1.        MARCH 2004 FINANCE & INVESTMENT REPORT**

**Action:** **Accepted** and **Filed** Report.

## ***City Council Action***

### **CONSENT CALENDAR:**

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Sellers absent, **Approved** Consent Calendar Item 2, as follows:*

#### **2.        CITY MANAGER'S EMPLOYMENT**

**Action:** 1) **Approved** the Second Amendment to the Employment Agreement Between the City of Morgan Hill and J. Edward Tewes to Extend the Term of the Agreement; and 2) **Authorized** the Mayor to Execute the Amendment on Behalf of the City.

## ***Redevelopment Agency and City Council Action***

### **OTHER BUSINESS:**

#### **3. BUSINESS ASSISTANCE GUIDELINES**

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that Agency/Council Member Chang requested that staff agendaize the issue of business assistance guidelines for consideration. He stated that the Business Assistance Guidelines were approved by the Agency in February 1999. At that time, the Board provided staff with parameters so that staff would have guidelines to assist in the evaluation of requests from businesses for financial assistance. He informed the Council/Agency that the Guidelines were incorporated into the economic development strategy approved by the Council in May 2003. He noted that there is a policy contained within the Economic Development Strategy that indicates that these Guidelines would be reviewed annually by the Agency/Council and that the action item was that the Council's Economic Development Committee would review the guidelines and make recommendations, as appropriate, to the Agency/Council. He inquired whether there were specific items contained within the guidelines that the Agency wanted to focus its discussions upon.

Agency/Council Member Chang indicated that at one of the Finance & Audit Committee meetings, the Committee reviewed the guidelines. At that time, she was confused about the guidelines and felt that it would be appropriate to discuss the guidelines to ask clarifying questions. She noted that it is stated that for every \$4 of agency assistance, a business should generate \$1 in revenue to the City's general fund over a specific period of time. She inquired whether the \$1 is to be generated annually or whether it is meant to indicate that the \$1 applies for a specific period of time. She noted that the guidelines state that this rate is not to exceed 10 years. It was her interpretation that this meant \$1 over a ten-year period of time. She requested clarification of this point.

Mr. Toy said that it was staff's perspective interpretation that it was the Agency's intent that it would be over a 10 year period and not a return per year averaged over 10 years. He clarified that the \$1 return over a year period would result in a 2.5% rate of return. He stated that the guidelines do not state that the term would always be set at 10 years, but that this would be the maximum.

Agency/Council Member Chang indicated that she originally thought that the Agency/Council was discussing a grant, receiving \$1 back annually. She stated that she does not see that a grant was included in the guidelines.

Mr. Toy said that at the time the Agency/Council considered the business assistance guidelines in 1999, discussions focused on grants or rebates. Agency/Council discussion indicated that it would prefer a loan program and not include discussions about a grant or rebate because if a business saw this, they would request a grant/rebate as opposed to a loan. He said that staff felt that a grant/loan could be considered on a case by case basis if an argument could be made that there was a need for this type of assistance.

Chairman/Mayor Kennedy indicated that the Economic Development Subcommittee discussed this point and that the Subcommittee generally agreed with staff's recommendation that the City should not utilize a grant program for the reason identified by Mr. Toy. He said that it was the Subcommittee's preference that this be a loan versus a grant.

Agency/Council Member Tate said that the Subcommittee received strong input from the Downtown Association that they would like to see the City concentrate on loans versus grants.

Agency/Council Member Chang noted that the City is looking at a 2.5% rate of return on the City's economic dollars with this policy, a low percentage.

Mr. Toy said that in some cases, the City would apply an interest rate.

Agency/Council Member Carr felt that it needs to be clarified that the loan is to be repaid in its entirety and the City would apply an interest rate to the loan. He said that the guideline is about the revenue that the business would be generating into the general fund based on sales and taxes in the community. He felt that there has to be a clear understanding that the City has to keep the rate of return of the loan to what the business generates into the general fund, a distinction that needs to be kept in mind.

Council Member Chang said that if the City considers applying an interest rate for its money, the City would be looking at a 2.5% rate of return. If the City does not get interest back, the City would be losing money because the normal interest rate may be 3%-4%. She noted that the City dropped from a 25% to a 2.5% rate of return on its money. She felt that this amount was quite a gap. She inquired whether there was possibility of establishing a higher ratio than a 2.5% rate of return on the City's dollars.

Chairman/Mayor Kennedy inquired whether it would make more sense to use a rate of return percentage rather than the 4-1 ratio. This amount could be set at 5% rather than using the 4-1 ratio.

Agency/Council Member Tate noted that Redevelopment funds are almost at the end of its cycle. He inquired whether the City should be seeking a better rate of return on what it chooses to invest as this would allow funds to keep turning over.

Agency/Council Member Chang felt that the Economic Development Subcommittee may have a different recommendation for Agency/Council members' consideration.

Agency/Council Member Carr said that the Economic Development Subcommittee reviewed the Business Assistance Guidelines' for the general fund/investments. He said that the City may want to model one after the other. He said that for this instance, the City could change the ratio such that for every \$2 of City assistance provided through loans; the business could generate \$1 in revenue for a maximum of 10 years.

Agency/Council Member Chang noted that this model would equate to at least a 5% rate of return.

Agency/Council Member Tate did not recommend that the Agency/Council artificially stipulate a 5% rate of return and that the Agency/Council study this as it may be that the Agency/Council could be able to receive a greater rate of return.

**Action:** *By consensus, the Agency/Council **referred** the rate of return on investment issue back to the Economic Development Subcommittee.*

Executive Director/City Manager Tewes indicated that the purpose of redevelopment funds is to assist economic development. He felt that it would be appropriate for the Council/Agency to review its underwriting criteria for how it uses redevelopment money. He indicated that the City uses idle cash from the general fund for investments. He said that the City needs to make sure that it is preserving the goals of its idle cash investment policies. He felt that it would be appropriate to have different standards for how the City uses its redevelopment funds and how it uses general funds. He noted that general funds have not been used to make economic development investments. He suggested that the Council make economic development investments from general funds when there is a project that will make a big difference in the community.

Agency/Council Member Chang noted that the Agency/Council wants to discourage requests for grants. Should the City approve a \$4 grant with a rate of return of \$1 annually, the City could get this money back four years. She felt that in some instances, the City may be able to receive a greater rate of return. She recommended that this be encouraged.

Chairman/Mayor Kennedy stated that he did not believe that the Council, as a whole, was in support of 4-1 rate of return. He requested that staff provide the Agency/Council with information relating to the Candescent business assistance to see how the City structured funding. He felt that this information may be helpful to the thought process.

Executive Director/City Manager Tewes said that as far as staff is aware, there has only been one instance where the guidelines were used for a factual business assistance package and that was with Specialized Bicycle. He informed the Agency/Council that the terms of this deal are consistent with what Mr. Toy has described as his understanding of the guidelines.

Chairman/Mayor Kennedy stated that the City's business assistance to Specialized Bicycles was a success and that this business decided to keep their corporate headquarters in Morgan Hill. He noted that this business assistance was a retention issue as Specialized Bicycles was looking at moving most of their operations elsewhere.

## ***City Council Action***

### **OTHER BUSINESS:**

#### **4. COUNCIL LIBRARY SUB-COMMITTEE STATUS REPORT ON LIBRARY SITE SELECTION**

Recreation and Community Services Manager Spier presented a status report on the library site selection that is being performed through the work of the library subcommittee. She indicated that at the January 2004 Council meeting; the subcommittee reported that they were looking at four initial library sites: 1) the existing library site (expansion/renovation); 2) the current grant site located behind the civic center; 3) the Britton School site; and 4) the Sunsweet property site. She stated that the Council reviewed the four sites and requested that the subcommittee analyze them. She said that in discussions with the School District, it was determined that they were not ready to look at the potential of renovating, building or partnering on the Britton School site. As there was a June 2004 timeline to report back to the Council, the subcommittee decided that this was not a viable option. Also, the option to expand the current library facility was not proposed due to the financial restrictions and the possibility of its use for other City government purposes. She stated that the two remaining sites, the current grant site and the Sunsweet site, were looked at in more detail. She informed the Council that a preliminary financial analysis, included in the Council's packet, indicates that some of the numbers are still being refined. Also, the Council has a preliminary analysis from the City Manager from three weeks ago. Since that time, the City received new numbers regarding the site plan for the civic center site. She informed the Council that on April 12 the Library Commission was presented with the two proposals. She indicated that Noll & Tam presented the preliminary drawings for the civic center site and Rocke Garcia and his architect discussed the Sunsweet site. She said that there are distinct differences between the two sites. She noted that the civic center site is designed as one story building while the Sunsweet site is proposed as two story building. She stated that each site was given a preliminary number of 28,000 square feet with a secondary expansion number of 10,000 square feet. She indicated that 28,000 square feet would double the square footage of the existing library. It was felt that doubling the size of the building at this time would be adequate expansion. However, library staff believes that this would only take care of their expansion needs for approximately 5 years, and that there is a need to look at a future expansion. She informed the Council that the area serviced by the library would be from San Martin to south San Jose. Therefore, the area demographics is at approximately 55,000 individuals. She presented the design highlights/site layout for the civic center library proposal. She informed the Council that all 74 projects submitted for State funding moved to the rating section phase of the library grant process. She stated that this is good news as the City's grant proposal is still in the running.

City Manager Tewes informed the Council and the public that the purpose of the presentation this evening is to be responsive to the Council's request to be informed of the process. He said that it is not anticipated that the Council would make a decision this evening regarding either of the proposals. However, it would be appropriate for the Council to provide comments and ask questions.

Mayor/Chairman Kennedy opened the floor to public comment.

Rocke Garcia provided the Council with an analysis of the Sunsweet site library proposal. He said that the team he assembled is a dynamic team, one that is well versed and who have completed projects of this nature in a public/private partnership similar to what is being proposed. He indicated that he has been asked to provide a master plan for the entire block. He said that the master plan would require additional time. He stated that he has hired the firm of Barry and Volkman Architects and planners who have designed several projects in Danville. He indicated that he has held a couple of meetings with the Downtown Association in order to reach some of the goals contained in the Downtown Plan as well as

meeting the goals for the library. He stated that he wants to perform a coordinated effort and that he understands that he is at the beginning stages of the process. He informed the Council that Toenesketter & Breeding partnered with him on the last library proposal and will be working with him on this library proposal as they are knowledgeable of a public/private partnership. He said that there is a list of 9 items/stages associated with the library. He referred to the number 2 issue located on the last page of the handout relating to the size of the building. He said that Field Paoli Architects have been brought on board to help design the library facility.

Mr. Garcia said that he understands that he has to pay prevailing wages and that he does not believe that this will significantly impact the cost of the project. He said that there will be many primary contractors responsible for each portion of their work. He felt that this is the best method to keep costs down and responsibilities/performance up for each of the contractors. He has stated that he has met with the downtown organization that has provided a lot of input. He is bringing in a master planner in Larry Barry from Barry and Balkman. It is his hope to return with preliminary drawings to the downtown committee within the next two weeks. He stated that a meeting is to be held tomorrow with the County librarians to refine, in more detail, the program review that defines the probable square footage for each area of the library. The next step is to proceed with conceptual and schematic designs. He felt that the City needs a library and that the library is needed in the downtown. He stated that he is committed to commence construction on the library in January 2005 as it is important to give this community a library on time and on budget. He stated that each library proposal proposes approximately 90 on site parking spaces. His downtown site has an additional 91 off site public parking spaces adjacent to the site (e.g., Grange Hall and Depot parking lots). He said that the Field Paoli Architect firm is a large firm based out of San Francisco who has designed 15 libraries throughout the greater bay area. He stated that both Field Paoli and the Noll and Tam firms are experts in their field. He felt that downtown merchants and their clientele would be able to use the 90 on-site library parking spaces.

Mayor Kennedy noted that Mr. Garcia is proposing to build underground parking for a townhome project.

Mr. Garcia indicated that he is proposing to construct a market rate townhome project that will have a concrete underground garage and that the townhomes will be constructed above the garage. He stated that the garage will contain all the necessary parking for the townhome project and that residents will not be using the public parking areas. He clarified that he is proposing to perform a master plan for Third and Fourth Street (the Sunsweet property as well as the RDA property) and that part of the master plan is a potential expansion of the library.

Council Member Carr noted that it was indicated that a 28,000 square foot library is proposed and that the County library system estimates that this square footage would be sufficient for five years. He inquired whether there was a way to start estimating what the expansion costs will be so that it can be determined whether in five years it would be more cost effective to build a library at the civic center site or to construct the library in the downtown.

Ms. Spier indicated that staff has made sure that there is an additional 10,000 square feet of expansion area included. She said that staff can investigate which site would allow for a more cost effective library expansion.

Mr. Garcia said that the architects would need to answer the question about the cost to expand before schematic designs. He said that he left all options open so that the two story portion could be expanded. He did not believe that it was economically feasible to expand a single story into a two story facility. He clarified that the design concept before the Council is a library facility at 29,300 square feet and that it incorporates a children's computer area.

Council Member Carr felt that it would be important to know the difference in expansion costs as the Council starts making decisions. He said that it is one thing to compare the two libraries today. However, if the library is only being built for five years, the library facility may have reached its capacity at the end of that time. This may result in living at capacity for 20 years, similar to what has been done with the existing library. He felt that it would be important for the Council to know what the expansion cost would be. If it would be more expensive to expand behind the civic center on a 2-1 ratio versus the expansion elsewhere, these are important facts to know in the future planning of buildings. He noted that the process is to plan the library building now with the idea that they would need to be expanded a lot sooner than expected.

City Manager Tewes informed the City Council that both architects consulted with library staff members regarding their programming needs. He said that library staff had the benefit of knowing what they wanted in a 40,000 square foot facility. The subcommittee has already asked the library staff to try and figure out what might be smaller or eliminated if the size of the building is reduced to 28,000 square feet. He felt that both architects tried to be responsive to the programming requirements and that the requirements established by the library staff were provided in each of the two proposals.

Mayor Kennedy referred to the cost comparison matrix, land cost. He noted that for the downtown location there is a cost of \$2.2 million for the land. It was his understanding that the City was not buying the land, only leasing the land. He inquired if the \$2.2 million would be the cost should the City decide to purchase the land today.

City Manager Tewes said that it is not being suggested that the City would be acquiring the land, initially, for \$2.2 million but that it is the basis on which lease payments were calculated into the future. Under the landowner's proposal, at the end of the lease term, the public agency would have the option to acquire the building for \$1 and to acquire the land at its then market value at the end of the term.

Mr. Garcia said that one of the directives given was to design the best library possible with the least amount of money. He said that he started out with a land lease proposal so that the City would not have to come up with a capital expenditure for the downtown site.

City Manager Tewes said that staff did not provide the Council or the Library Commission with a series of cash flow analysis as the numbers are in flux. He said that the matrix provides all the data in one place that will be used later for a cash flow analysis.

Mayor Kennedy felt that it was important to look at the cash flow analysis. In looking at the matrix, it appears that the City has to make an outlay of \$2.2 million today for the land. He noted that it has been stated that the \$2.2 million is the basis for the lease payment and that it is not an actual out of pocket cost to the City today.

City Manager Tewes said that discussed was a 25-year land lease with options that would be based on an 8% return on the \$2.2 million. Staff developed a land lease schedule that started with a \$2.2 million initial value that achieved an 8% return for the first five years subject to a total of 6% on the CPI limitations every five years. He informed the Council that he has a series of spread sheets that address several different financing options that the Council may be interested in. He wanted to make it clear that these reflect the assumptions that have given to staff by the proposer and that they are not an item for the Council to discuss this evening. He stated that it is a Council goal to identify an option by the end of June 2004 and negotiate/develop the business terms. He indicated that the results of the cash flow analysis suggest that when you present value type analysis, the two proposals are not significantly far apart when you compare upfront financing versus a 25-year lease (studied was a financial structure.)

Mr. Garcia said that the directive he was given at the beginning was that the City did not have a lot of money. Studied was how to finance the library project. He stated that the more cash the City puts forth, the greater ownership the City will have. He said that there could be a lower or higher down payment. However, it was his directive from the beginning that the City did not have a lot of cash. Therefore, discussed was bond financing and other financing options.

Council Member Chang inquired whether the payment from the library portion would be enough to cover the lease payment.

City Manager Tewes indicated that the Council was provided with a copy of the report presented to the Library Commission that identified the funding gap and potential funding sources to close the gap, including “up-front cash” for a down payment. This includes some annual income stream in the future that would support borrowing. The report states that the direct financial comparison is made difficult by the complexity of the financing and by policy choices to be made about how much to pay upfront and how much to pay over time (lease or debt service payment). He indicated that the Agency has to make choices whether it wants to dip into its savings account in order to pay for the project up front or whether to come up with a down payment and hope that there would be assistance to pay the monthly payments.

Council Member Chang noted that there is a \$500,000 gap. If the City added to the down payment, this could be applied toward the lease payment. Instead of giving Mr. Garcia \$11 million, the City could give him \$10.4 million. She inquired whether this would be an option.

Mr. Garcia said that he tried to work out a guarantee as to the maximum cost of the building. The issue is that at this stage, you are reviewing estimates and performing value engineer. He said that he will work to address this at the design stage. He indicated that he dealt with the construction part first, as financing can be worked out. He noted that these numbers are projections on what bond financing

would cost or what the City's return would be on invested capital. He said that there are several financial scenarios.

No further comments were offered.

Mayor Kennedy inquired when the Council would need to make a decision. He noted that the numbers presented are preliminary and that until the City negotiates an agreement, it will not know what the real numbers will be. He did not know if it would be valuable to spend a lot of time talking about the numbers at this point in time.

Council Member Tate stated that the timeline put together was based upon some assumptions. The timeline put together stipulates an April 12 Library Commission meeting as the start of the public input process where designs are presented to the public, requesting feedback in terms of site preference. He indicated that the May issue of City Visions will include the two library layouts and a ballot that the public can return to express their site preference. He felt that Mr. Garcia has done a good job in presenting the fact that Noll & Tam was able to take a design that they have been working on for 3-4 years as a 40,000 square foot building and knew which parts could be eliminated. Mr. Noll was able to come up with detail schematic diagrams of what was desired by the County Library fairly quickly. On the other hand, Mr. Garcia was scrambling to get conceptual drawings submitted to the City by the April 12 meeting. These drawings were reviewed by the Library Commission and are now being presented to the Council. He said that the library subcommittee sat down with County Library staff members in order to get a sense of their programming needs. He said that tomorrow will be the first time they will have the opportunity to review a schematic design. He indicated that the Downtown Association saw the first diagram and compared it to the Downtown Plan, stating that they did not believe that the diagram fits the Downtown Plan. He felt that there is some concern that the Council is comparing a finely honed piece of work against a preliminary, first step design concept. The timeline calls for receiving public feedback, having additional meetings with the Library Commission; having them come up with their set of recommendations in their June meeting so that the library subcommittee can meet after that meeting to formulate a final recommendation by the end of June. He stated that the timeline was not based on having the complete financial scheme in place but to have a site preference followed by detailed analysis. Based on the concerns raised, he felt that the timeframe (June 23, 2004) may have been too aggressive.

Council Member Chang felt that the Library Authority should contribute to this project.

Council Member Carr stated his appreciation of the presentation. He said that it would be important to hear from the library subcommittee about the process that the City is going through. He understands that everyone will have an opportunity to review a final product. He inquired whether the library subcommittee expects to come back to the Council with a single choice and a defined funding proposal or will it return the options before the Council with the different criteria in order for the Council to make a choice and funding options, including all the questions that need to be considered.

Council Member Tate stated that he did not expect the Library Commission to return to the library subcommittee with a recommendation for one site. It was his belief that they would come back to the

library subcommittee with considerations for both sites. He said that the library subcommittee will return to the Council with a recommendation(s) and that it may be different from the Library Commission's recommendation.

Council Member Carr said that when he was elected to the City Council and attended his initial meetings on the Council, the Council asked a group to go through a lot of information and return with a recommendation. This group returned with a recommendation. However, the Council proceeded in a different path. He said that he was trying to avoid a similar situation in this case. He did not know if it would be best for the library subcommittee to identify which site is better or to return with a comparison of the two sites, identifying a criteria that should be used to judge the sites.

Council Member Tate said that he was giving the library subcommittee to June 17 to try to reach a consensus agreement on recommending one site. He did not know if there would be a difference of opinion on the site selection.

Mayor Kennedy said that it is a goal of the library subcommittee to return to the Council with one recommendation. He felt that Council Member Carr raised a good point in not returning with one recommendation, leaving options open. He said that a presentation can be made such that the Council, as a whole, makes this decision.

Council Member Carr inquired how the Council would consider benefits associated with both locations. He felt that a question that needs to be answered is which site would provide the best library services to the City of Morgan Hill and the surrounding communities. He felt that there were several other public policies that get addressed based upon where the library is placed. He was not sure how these can be used as criteria. He inquired whether the Council will be considering issues such as the benefits a library would have to the downtown; does it meet other downtown goals; or does it take away from the goals as it challenges some of the goals yet to be adopted in the Downtown Plan. He inquired whether there would be line item(s) that talk about other benefits outside of purely library benefits to be considered.

Council Member Tate stated that these questions will be part of the negotiation process that Mr. Garcia is going through with the Downtown Association.

Mayor Kennedy said that the library subcommittee weighed the pros and cons for both sites. He felt that it may be helpful to put together a criteria so that Council members are looking at the same score card. He felt that it was important for the library subcommittee to share with the entire Council why the other sites were excluded. For example, the Albertson site had the complexity of seven different owners and that this is too big of a hurdle to overcome. He said that the library subcommittee wanted to consider a site that could proceed fairly quickly. Therefore, the Albertson site was dropped off the list as it would take up to 10 years to work out an agreement.

Council Member Tate indicated that the School District wanted to have the Britton School site for future educational needs within the District. Therefore, they were not willing to give up this flexibility. He said that the library subcommittee looked at expanding the existing library site. It was determined that it

would be more expensive to expand the library. Another possibility was demolishing the current library building and starting from scratch but that it was determined that it would be more expensive than proceeding with the Proposition 14 site. A benefit of relocating the library programming would be the retention of the building for the use/expansion of city hall in the future. He said that a lot of people feel that a criteria should be proximity of the facility to the downtown. There are also a lot of individuals who feel that a primary criteria is non proximity to the downtown.

Mayor Kennedy indicated that the Edmundson site is no longer a viable site as the indoor recreation center is being designed for that site. He felt that the Council has voted to continue to proceed with the indoor recreation center on that site. He did not know if this was a site that should be brought up again as an option, indicating that he does not support this option.

Council Member Tate said that the only reason the Council opened the new library facility to other alternative sites after selecting the civic center site for the Proposition 14 was the fact that there were no downtown alternative sites considered. This gave the Council an opportunity to look at a downtown site. This is why the Council chose the Albertson, Britton Middle School and the Sunsweet properties because of their proximity to the downtown. He said that the library experts believe that the downtown is a desirable location in order to get more library users and to have the synergy of economic development and vitalization of the downtown.

Council Member Carr inquired whether the Council has other public policy objectives that can be met by the placement of the library that would be the tipping point for the site selection.

Mayor Kennedy noted that timing, cost, and proximity (e.g., schools, mass transit, ease of access, noise, railroad tracks, transit, quiet neighborhoods, etc.) are some general criteria. He felt that the library subcommittee can reconstruct a list of criteria based upon some of the pros and cons.

Council Member Carr recommended that the timeline identified be adhered to as the Council has identified a goal of having the library site selection finalized by June 2004. This is the date identified to the public and felt that the Council owes the public this goal. He noted that the City is already spending resources that could be spent on the library in some of the choices that already have been made in RDA funding. Delaying the decision further would result in continuing to spend a lot of resources that could be going toward this project.

Mayor Kennedy agreed that the project needs to remain on schedule and recommended that the library subcommittee bring forth its best recommendation in June 2004.

Council Member Chang stated that she likes the concept of a downtown site. However, she did not necessarily agree with all items. She felt that it was up to the City Manager, staff and the library subcommittee to make it all work out. She indicated that the PL 566 project may end up becoming a future project. She noted that there is \$7 million earmarked for flood control and suggested that \$1 million of these funds be used for the library to make it work. An alternative is to make a smaller down payment on the lease payment.

Mayor Kennedy indicated that he, Mayor Pro Tempore Sellers and members of the Downtown Association took a bus tour of other downtowns (e.g., Rockridge, Palo Alto, and San Mateo). It was found that successful downtowns were attributed to synergism. People resided in the downtown and activities brought individuals to the downtown. He felt that Morgan Hill's downtown needs this synergism. He was not stating that this is the primary reason to have the library in the downtown, but felt that it would be a positive use for the downtown. He indicated that he would take back the Council's recommendation to the library subcommittee and keep forging ahead.

**Action:** *The Council provided the above comments.*

### *Redevelopment Agency and City Council Action*

**CLOSED SESSIONS:**

Agency Counsel/City Attorney Leichter announced the following closed session items.

**1.**

**CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

**CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Legal Authority: Government Code Section 54956.9(a)

Case Name: Hacienda Valley Mobile Estates v. City of Morgan Hill

Case Numbers: Santa Clara Superior Court, Case No. CV 80-7708;  
Ninth Circuit Court of Appeal, Case No. 02-15986

## **OPPORTUNITY FOR PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the Closed Session items to public comment. No comments were offered.

**ADJOURN TO CLOSED SESSION**

Chairman/Mayor adjourned the meeting to Closed Session at 8:52 p.m.

**RECONVENE**

Chairman/Mayor reconvened the meeting at 9:57 p.m.

## CLOSED SESSION ANNOUNCEMENT

Agency Counsel/City Attorney Leichter announced that no reportable action was taken in closed session.

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

**ADJOURNMENT**

There being no further business, Chairman/Mayor Kennedy adjourned the meeting at 9:58 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, AGENCY SECRETARY/CITY CLERK**

**CITY OF MORGAN HILL  
JOINT SPECIAL AND REGULAR CITY COUNCIL  
AND SPECIAL REDEVELOPMENT AGENCY MEETING  
MINUTES – MAY 5, 2004**

**CALL TO ORDER**

Mayor/Chairman Kennedy called the special meeting to order at 6:00 p.m.

**ROLL CALL ATTENDANCE**

Present: Council/Agency Members Carr, Sellers, Tate and Mayor/Chairman Kennedy  
Late: Council/Agency Member Chang (arrived at 6:09 p.m.)

**DECLARATION OF POSTING OF AGENDA**

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

***City Council and Redevelopment Agency Action***

**CLOSED SESSIONS:**

City Manager/Executive Director Tewes announced the below listed closed session items:

**1.**

**CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority: Government Code Sections 54956.9(b) & (c)  
Number of Potential Cases: 2

**2.**

**CONFERENCE WITH LABOR NEGOTIATOR:**

Legal Authority: Government Code Section 54957.6  
Agency Negotiators: City Manager, City Attorney, Human Resources Director

Executive Management Group 1-A

Chief of Police  
Director of Business Assistance & Housing Services  
Director of Community Development  
Director of Finance  
Director of Public Works/City Engineer  
Human Resources Director  
Recreation and Community Services Manager  
Assistant to the city Manager  
Council Services and Records Manager

Middle Management Group 1-B

Police Lieutenant  
Deputy Director of Public Works

Assistant City Attorney  
Assistant Director of Finance  
Chief Building Official  
Human Resources Supervisor  
Planning Manager  
Senior Civil Engineer  
Senior Project Manager/Community Buildings  
Budget Manager  
Business Assistance and Housing Services Manager  
Police Support Services Supervisor  
Senior Planner  
Project Manager  
Utility Systems Manager  
Recreation Supervisor  
Secretary to the City Manager

Confidential Non-Exempt Employees Group 1-C

Administrative Analyst  
Secretary to the City Attorney  
Accounting Technician  
Human Resources Assistant

**3.**

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Legal Authority	Government Code 54957
Public Employee Performance Evaluation:	City Attorney
Attendees:	City Council, City Attorney

**OPPORTUNITY FOR PUBLIC COMMENT**

Mayor/Chairman Kennedy opened the Closed Session items to public comment. No comments were offered.

**ADJOURN TO CLOSED SESSION**

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 6:03 p.m.

**RECONVENE**

Mayor/Chairman Kennedy reconvened the meeting at 7:08 p.m.

Council/Agency Member Chang was not in attendance at this time.

**CLOSED SESSION ANNOUNCEMENT**

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

### **SILENT INVOCATION**

Mayor/Chairman Kennedy requested that Tom Castle, former Mayor, City Council Member, and long time developer in the community, be remembered.

### **PLEDGE OF ALLEGIANCE**

Mayor/Chairman Kennedy led the Pledge of Allegiance.

### **PROCLAMATIONS**

Mayor Kennedy presented proclamations to Deputy Director of Public Works-Engineering Bjarke proclaiming the weeks of May 11-17, 2004 as “Bike to Work Week” and May 18 thru May 24, 2004 as “National Public Works Week.”

Mr. Bjarke informed the Council that two members from the Bicycle and Trails Advisory Committee (BTAC); Carl McCann and Steve Chew, were in attendance who have been very active and have had a positive influence in making the biking community safe and available to many citizens.

Carl McCann informed the Council that on Thursday, May 20, there will be energizer stations throughout the bay area. He indicated that the BTAC will be sponsoring an energizer station at the Caltrain station from 6:30-9:30 a.m. He announced that in conjunction with Art a la Carte, a bike rodeo will be hosted on Saturday May 15, 2004 jointly sponsored by the BTAC and the Police Officer’s Association.

Mayor Kennedy presented a proclamation to Interim Police Chief Cumming recognizing May 15, 2004 as “Peace Officer’s Memorial Day and Police Week.” He indicated that a memorial ceremony will be taking place on May 14 at 11 a.m. at the Sheriff’s Office and encouraged Council members and members of the public to attend the ceremony.

### **PRESENTATIONS**

Assistant to the City Manager Eulo announced the winners of the Earth Day Art & Science Fair as follows: Best Idea – Joshua Priest (2<sup>nd</sup> grade); Best Art Project - Girl Scout Troop 1355 (8<sup>th</sup> grade); Best Presentation Joshua Schwarzenbach (4<sup>th</sup> grade); and Best in Show – Kayla Cromer (3<sup>rd</sup> Grade). The annual Environmental Poster Contest winners were as follows: K-3<sup>rd</sup> grade: 1<sup>st</sup> place – Doreene Kang, 2<sup>nd</sup> place – Samantha Latko, and 3<sup>rd</sup> place Sacha Chapuis; 4<sup>th</sup>-6<sup>th</sup> grade: 1<sup>st</sup> place – Steven Linder, 2<sup>nd</sup> place – Petra Halbur, and 3<sup>rd</sup> place – Vienna Lai; 7<sup>th</sup> – 9<sup>th</sup> grade: 1<sup>st</sup> place – Aurelia Ruiz; 2<sup>nd</sup> place – Isaac Morales, and 3<sup>rd</sup> place – Christine Faulk; and 10<sup>th</sup>-12<sup>th</sup> grade: 1<sup>st</sup> place (tie) -- Jessica Rubenstein and Travis Aviles; and 3<sup>rd</sup> place – Theresa Jacob.

Police Lieutenant Booten and Police Corporal Reno made a presentation informing the Council of a donation from Specialized Bicycles of new bikes for the Police Department Bike Patrol program.

Corporal Rodney Reno thanked the Mayor and Council for giving the Police Department the opportunity to approve the purchase of eight new bicycles that will be part of the Police Department's bike patrol. He indicated that the Police Department will be co-sponsoring a bike rodeo along with the BTAC at Art a La Cart to teach youth about bike safety and the helmet law. He informed the Council that the Police Department was awarded grant monies and that Specialized Bicycles provided an aggressive pricing to be able to make the purchase of the bicycles possible. He stated that BTAC member Steven Cheu, Sunshine Bicycles, was instrumental in getting, sizing, and assembling the bikes in a quick time frame so that they can be used at the Art a La Cart function as well as other upcoming functions in Morgan Hill (e.g., Mushroom Mardi Gras, Fourth of July parade, Taste of Morgan Hill, etc.).

### **CITY COUNCIL REPORT**

Council Member Carr reported on the following: 1) SCRWA - Next Tuesday, the SCRWA Board will be discussing recycling water rates. He stated that the Santa Clara Valley Water District is talking about raising water rates and that there have been discussions with the District about what this would mean to recycle water rates. There is a concern that should these rates go up, clients who use recycled water would not continue to do so. If large agricultural uses (e.g., golf course, school/municipal users, etc.) stop using recycled water, more water will be pumped from aquifers. He said that the SCRWA Board will continue to fight for more recycle water use, a benefit to South County. 2) City-School Liaison Committee - He indicated that he and Council member Tate, liaisons to this Committee, get to hear the great things taking place in the School District on a regular basis. He shared that Nordstrom Elementary School was selected by the California Department of Education as the 2004 California Distinguished School, an outstanding accomplishment. He indicated that other schools in the District that have won this award include: Encinal, PA Walsh, and Jackson Elementary School. At the high school level, he stated that the 10<sup>th</sup> grade students excelled in the spring 2004 California High School Exit Exam, noting that 84% of the sophomores were successful in passing both the math and English portions of this exam, a 20% growth in each of these two areas over the past two years. He indicated that Sobrato High School will be holding an open house on Tuesday, May 18 with a presentation being made and tours conducted. He felt that these were all great achievements attributable to the students, parents, teachers and other staff members from the Morgan Hill Unified School District.

### **SUBCOMMITTEE REPORTS**

Council Member Tate indicated that the Library Subcommittee was charged to report back with a recommendation on where to site and how to finance a library facility in Morgan Hill by the end of June 2004. He said that the City Visions newsletter contained an overview of the two different sites being reviewed. He requested that the public provide feedback on its opinion on which of the two sites it would like to see the new library constructed.

### **CITY MANAGER REPORT**

City Manager Tewes indicated that he did not have a report to present this evening.

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## **CITY ATTORNEY REPORT**

Acting City Attorney Siegel stated that he did not have a City Attorney's report to present this evening.

## **PUBLIC COMMENT**

Mayor/Chairman Kennedy opened the floor to public comments for items not appearing on this evening's agenda. Martin Kapetanic, speaking on behalf of the Morgan Hill Aquatics Incorporated, thanked the Morgan Hill Times for publishing the brick donor form in its last edition. She advised the Council and the public that the deadline to order donor bricks is May 14 so that they can be laser inscribed and installed in the donor walkway for the aquatics center grand opening event scheduled for June 12 & 13. She indicated that over 100 bricks have been sold, noting that over 2,000 bricks have been purchased. She requested the public's support of this fundraiser event as it is a mission to support the aquatics center in any financial possible. No further comments were offered.

## ***City Council Action***

### **CONSENT CALENDAR:**

City Manager Tewes informed the Council that members of the audience have asked that item 6 be removed from the consent calendar to allow for public comment.

**Action:**        *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-0 vote with Council Member Chang absent, **Approved** Consent Calendar Items 1-5 as follows:*

1.     **RECWARE CONTRACT ADDENDUM FOR AQUATICS CENTER**  
***Action:** **Authorized** the City Manager to Execute an Addendum to the Existing RecWare Software Contract in the Amount of \$20,000.*
2.     **PURCHASE ORDER WITH PIVOT INTERIORS FOR FURNISHINGS, FIXTURES AND EQUIPMENT (FF&E) FOR THE POLICE FACILITY AT 16200 VINEYARD BOULEVARD**  
***Action:** **Authorized** the City Manager to Approve a Purchase Order in the Amount of \$175,625 with Pivot Interiors for Furnishings, Fixtures and Equipment (FF&E) at the New Police Facility.*
3.     **PURCHASE AND INSTALLATION OF THE COMMUNICATIONS TOWER FOR POLICE FACILITY AT 16200 VINEYARD BOULEVARD**  
***Action:** **Authorized** the City Manager to Approve a Purchase Order in the Amount of \$47,774 to L.D. Strobel Company for the Installation of the Police Department Communications Tower from the Furnishings, Fixtures and Equipment (FF&E) Funds of the New Police Facility.*
4.     **BI-ANNUAL VACANCY RATE SURVEY**

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**Action:** **Established** the Bi-Annual Vacancy Rate for April 2004 as Recommended by the Planning Commission.

5. **2003-2004 CITY WORKPLAN, THIRD QUARTER UPDATE**

**Action:** **Accepted** Third Quarter Update of the 2003-2004 Workplan.

6. **ADOPT ORDINANCE NO. 1673, NEW SERIES**

City Manager Tewes informed the Council that item 6 is the adoption of an ordinance the Council previously reviewed and approved relating to the regulation of signs for tobacco products.

Mayor Kennedy opened the floor to public comment. Rosa Ontiveras, representing Lori Escobar and the El Toro Youth Center/Community Solutions, thanked the Council for addressing the issue of tobacco advertising that targets the community's youth. She stated that after reviewing the City's ordinance, areas of concern have been found that are not being addressed by the ordinance. She said that the Live Oak High School survey conducted by Public Health in May 2003 showed that students believe that it is easy to obtain cigarettes in Morgan Hill. She stated that under aged smokers are involved in behavior that is illegal and that these behaviors increase the risk for youth to continue the experimentation of other illegal substances and other unlawful acts. She requested that the Council consider the enactment of stronger measures such as requiring tobacco retailers to have a City issued permit so that those who are selling tobacco can be identified.

No further comments were offered.

City Manager Tewes indicated that a number of the items addressed by Ms. Ontiveras were discussed by the Council in its consideration of the ordinance. The Council asked staff to monitor the ordinance and report back to the Council on its effectiveness. Therefore, there will be continued discussions about regulations of tobacco products.

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council, on a 4-0 vote with Council Member Chang absent, **Waived** the Reading, and **Adopted** Ordinance No. 1673, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADDING SECTION 18.76.020(56.5) (Definitions – Tobacco Advertising Sign) AND AMENDING SECTION 18.76.250 (Commercial and Industrial Zone Signs – Window Signs) OF CHAPTER 18.76 (Sign Code) OF TITLE 18 (Zoning) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING REGULATION OF TOBACCO ADVERTISING SIGNS.***

## ***City Council and Redevelopment Agency Action***

### **CONSENT CALENDAR:**

City Clerk/Agency Secretary Torrez requested that item 9 be pulled from the Consent Calendar.

**Action:** *On a motion by Council/Agency Member Tate and seconded by Mayor Pro Tempore/Vice-chair Sellers, the City Council/Agency Board, on a 4-0 vote with Council/Agency Member Chang absent, **Approved** Consent Calendar Items 7-8 as follows:*

7. **AGREEMENT WITH THE LAW FIRM OF ENDEMAN, LINCOLN, TUREK & HEATER**

**Action:** ***Authorized** the City Manager to Execute an Agreement with the Law firm of Endeman, Lincoln, Turek & Heater.*

8. **APPROVAL OF COST SHARING AGREEMENT WITH SANTA CLARA VALLEY WATER DISTRICT FOR LLAGAS CREEK FLOOD PROTECTION (PL 566) TECHNICAL STUDIES**

**Action:** *1) **Approved** Appropriation of \$300,000 from the Current Year Unappropriated RDA Fund Balance for This Project; and 2) **Authorized** the City Manager, Subject to City Attorney Review and Approval, to Execute a Cost Sharing Agreement with the Santa Clara Valley Water District for the Accomplishment of Technical Studies Related to the Design of the Llagas Creek Flood Protection Project.*

9. **MINUTES OF THE JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING OF APRIL 21, 2004**

Council Services & Records Manager Torrez requested clarification of page 23 of the April 21, 2004 minutes relating to Council's summer meeting schedule. She indicated that the minutes indicate that August 4, 2004 was identified as a meeting date to be cancelled to accommodate Council vacation schedules. She noted that the minutes also reflect that the Council may consider cancelling the June 23, 2004 meeting. She requested Council confirmation that the minutes reflect the Council's intention regarding the summer meeting schedule.

Council Member Tate indicated that he did not hear that the August 4, 2004 meeting date had been cancelled at the April 21, 2004 meeting and that it was his recollection that this meeting date was open for cancellation.

Mayor Kennedy confirmed that the Council will not be meeting on August 4, 2004.

**Action:** *On a motion by Council/Agency Member Tate and seconded by Mayor Pro Tempore/Vice-chair Sellers, the City Council on a 4-0 vote with Council/Agency Member Chang absent, **approved** the April 21, 2004 minutes as submitted.*

## ***City Council Action***

### **CONSENT CALENDAR: (Continued)**

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-0 vote with Council Member Chang absent, **Approved** Consent Calendar Item 10 as follows:*

**10. ADOPT ORDINANCE NO. 1672, NEW SERIES**

**Action:** ***Waived** the Reading, and **Adopted** Ordinance No. 1672, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1549, NEW SERIES, TO ALLOW AMENDMENT OF THE APPROVED GATEWAY CENTER PLANNED UNIT DEVELOPMENT LOCATED AT 18605 MONTEREY ROAD. (APPLICATION ZAA-01-05: MONTEREY – SOUTH VALLEY DEVELOPERS) (APN 764-10-004).***

## ***City Council and Redevelopment Agency Action***

### **PUBLIC HEARINGS:**

**11. PROTEST PRO-04-02: ANNEXATION, ANX-02-02: COCHRANE-BORELLO II – Resolution No. 5787**

Planning Manager Rowe presented the staff report, indicating that the purpose of this item is to adopt a resolution to set a date for consideration of any protest to the annexation. He confirmed that any questions relating to the materials presented should be saved for the actual hearing date.

Mayor/Chairman Kennedy opened the public hearing. No comments being offered, the public hearing was closed.

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-0 vote with Council Member Chang absent, **Adopted** Resolution No. 5787, Notice of Intent to Hold a Public Hearing on the “Protest Proceeding” at the Regular Council Meeting of June 2, 2004.*

**12. COMMUNITY DEVELOPMENT USER FEE ADJUSTMENTS – Resolution No. 5788**

Director of Finance Dilles presented the staff report recommending that the Council approve the second portion of a three phase series of development user fee increases by adoption of the resolution. He informed the Council that when staff returns to the Council a year from now, staff will identify the fees

that would be proposed at that time. He indicated that the idea of increasing the developer user fees over time was to try to minimize the impact to the public. He stated that the increases are necessary in order for the City to move toward full cost recovery for planning and engineering and for the community development fund to be self supporting. Staff determined that even with these increases, the City would not cover all costs in next year's budget for community development. However, staff will be able to balance next year's budget by drawing down on community development fund reserves. In moving toward full cost recovery by July 2005, the City will be heading toward full cost recovery. He informed the Council that staff distributed the notice of the proposed fee adjustment to local developers and that they were notified of this evening's public hearing. He indicated that staff did not specifically met with the developers on this topic, but that staff has met with them in the past on the subject of the report, the methodology and the need to have full cost recovery.

Mayor/Chairman Kennedy opened the public hearing. Dick Oliver, Dividend Homes, stated his support of the need for the City to make a full cost recovery of its cost and that he did not believe that the City should not be subsidizing the development community. He informed the Council that in addition to these fees, there are other impact fees that will increase on the same three step basis next January as well. He indicated that in last year's competition, there was approximately \$47,000 per unit in Measure P commitments; this includes the cost of subsidizing BMR units, or paying \$475,000 for a 15-unit project to waive the requirement for a BMR unit. When you add up the costs under the Parks and Paths, safety improvements for schools, offsite improvements, etc., it results in costs of approximately \$47,000 and that this does not include fees for the application or processing of the Measure P application. He stated that this number would be increasing. He felt that the Council needs to be aware that when developers add these costs on top of the City's cost recovery, the development community is paying a hefty share of fees. He recommended that at some point in time, the City examine the Measure P/C fees that are over and above what is normal that developers believe are stretching the limits of development in Morgan Hill. No further comments being offered, the public hearing was closed.

**Action:**        *On a motion by Council Member Tate and seconded by Vice-chair Sellers, the City Council, on a 4-0 vote with Council Member Chang absent, **Adopted** Resolution No. 5788, Revising Fees and Service Charges.*

## **PUBLIC COMMENT**

Mayor Kennedy indicated that during the break, the Council/Agency Board received another public comment card on items not listed on the agenda. He inquired whether the Council was willing to hear the speaker on the topic of development in Coyote Valley.

**Action:**        *By consensus, the Council **agreed** to reopen the public comment portion of the meeting.*

Jessica Vernon indicated that at the last Council meeting, the Council discussed following up and soliciting council members from San Martin and Gilroy regarding the impact of Coyote Valley and the development plan that the City of San Jose is proposing of 80,000 individuals to south county communities. She inquired whether there was any further follow up with Mayor Ron Gonzalez in order to get some representation from the Morgan Hill City Council on the task force. She informed the

Council that the next task force and community meeting will be held on Saturday, May 15, 2004 at the South County Community Center located on Cottle Road. She felt that this was an important community workshop as the City of San Jose will solicit feedback on the plans. She indicated that the City of San Jose is trying to finalize their plans by September or October 2004. She requested a status report on the progress toward soliciting other communities to help stop the Coyote Valley Specific Plan.

Mayor Kennedy indicated that he received a notice that a meeting would be held on Monday, May 17.

Ms. Vernon indicated that there are two meetings proposed: 1) the community workshop meeting to be held on Saturday, May 15; and 2) a follow-up task force meeting to be held on Monday, May 17.

Mayor Kennedy said that he has met with City of San Jose Vice-mayor Pat Dandi who serves on the task force. He is scheduled to meet with Council Member Forest Williams tomorrow. He indicated that the meeting scheduled with Mayor Gonzalez has been postponed but that this meeting will be rescheduled. He stated that the Council has requested a joint meeting be held, inviting Supervisor Gage, the School Board, Gavilan College, the City of Gilroy, San Martin community member(s) and the Morgan Hill City Council to participate in this meeting to see if this group can come up with a collaborative approach to deal with this issue.

Council Member Carr indicated that he spoke with Supervisor Gage and that he has stated that he would be happy to meet with the City Council and carry the City's issues to the table.

## ***City Council Action***

### **OTHER BUSINESS:**

#### **13. CONDUCT HEARING AND CONSIDER ADOPTION OF RESOLUTION OF NECESSITY FOR PROPERTY ACQUISITION FOR PROPOSED TENNANT AVENUE WIDENING – Resolution No. 5789**

Director of Public Works Ashcraft presented the staff report. He informed the Council that staff has been working toward acquiring the right of way for the Tennant Avenue widening project since August 2002. Staff filed a notice of a Negative Determination in July 2003 in accordance with the City of Morgan Hill's process for compliance with the California Environmental Quality Act. He stated that a real property appraisal has been prepared by Hulberg and Associates for this parcel with offer letters being sent to property owners in September 2002 and revised offer letters in May 2003. He indicated that the property owners of 145 Tennant Avenue were notified of their right to present information at this hearing regarding the appeal for items 1, 2, 3 and 5 of the findings contained in the resolution. He stated that these are findings that the Council must make to proceed with the resolution. He summarized the findings contained in the resolution. He informed the City Council that the resolution has to be approved by a 2/3 majority vote of the City Council and that in addition to acquiring the property, a relocation consultant has been retained to assist staff in providing any required relocation assistance and/or benefits to the occupants of the property as a consequence of being displaced by this project. He stated that by adoption of the resolution, the Council is directing the City Attorney to institute and

conduct the conclusion action of eminent domain for the acquisition of the stated interest necessary for widening Tennant Avenue. He informed the Council that staff received two cards from property owners who are interested in speaking at the hearing: 1) Babe Heinberg, property owner representative; 2) Maurice Borquez, one of the four property owners.

Mayor Kennedy indicated that he also has a request from Rose Hernandez to address this item.

Mayor Kennedy opened the public hearing.

Sylvester Heinberg indicated that the trustees of the Hernandez estates are not challenging the City's right to take or to adopt the resolution of necessity. However, they are requesting just compensation for their property. He stated that the fifth amendment of the United States Constitution provides that private property may not be taken for a public use without payment of just compensation. Article 1, Section 10 of the California State Constitution provides that private property may not be taken or damaged by the government unless it pays just compensation. He said that the trustees are not challenging the right to take but are concerned with the appraisal prepared for the property. He shared a letter he received from the City via John Palmer with Cutler & Associates. He indicated that he has met with Mr. Cutler several times and has reviewed his cost estimates of \$82,750. It was indicated that the City would be limited to paying for shrubbery, fencing, bushes and the trees as well as the brick walkway and the front porch, valued at \$1,975. He stated that this did not ring well based on the current market prices in Morgan Hill. He indicated that he gave Mr. Palmer a list of four alternatives.

Council Member Chang entered and took her seat on the Dias.

Mr. Heinberg presented the Council with comparable sales in Morgan Hill. He said that Mr. Palmer brought in some comparable sales from Morgan Hill and Gilroy, with the average price being \$305,213. He said that the value for moving the house/garage back or their replacement is at \$280,343.50 and \$310,292. The trustees do not consider that the City has been fairly represented by Cutler and Associates. He felt that they have come a long way in wasting everyone's time as the same \$82,750 is being presented. He said that when he presented his information to Mr. Palmer many months ago, he sees that the City is still offering \$82,750. He noted that the City has accepted the adjacent properties from Ms. Gose, one of the trustees of the Hernandez Trust, paying \$51,500 for her property for the front 2,129 square feet. This amounts to \$24.189 per square feet, noting the front of this parcel does not have a house. The adjacent parcel (APN 817-04-006) belongs to the Hernandez trust and is being asked to give up 25.3 feet in the depth and 150 in width fronting on Tennant Avenue, amounting to 3,795 square feet. He indicated that using the same value of \$24.189 per square foot, this would amount to a value of \$91,797.25 solely for the land. He stated that the City paid another property owner \$95,000 for their frontage. He said that property values in the city have increased and that the total lost to the Hernandez Trust will be considerable in lost rent. He said that comparables of April 2004 provides a range in price values for the same size lot/house from \$350,000 to \$400,000; with an average of \$380,082. He did not believe that comparable numbers show a figure near \$82,000. He did not believe that the appraisal by George Delprado, a certified residential appraiser was contained in the City's file which indicates that a 3,900+ square foot house has a value of \$295,000 based on his comps. He felt that it would be a shame to go through a resolution of necessity as the last time he went through this with Caltrain they offered

\$25,000 for a 2 acre parcel to be used for the Hollister overpass using comps. He indicated that this case went to trial and that they had to pay four times this price. He felt that the Council needs to be fair with the Hernandez trust, paying them what the property is worth.

It was indicated that Maurice Borquez was ill and could not be in attendance.

Rose Hernandez felt that the family was being treated unfairly with the City's evaluation of the property. She indicated that eminent domain law states that the City must pay property owners fair market value. She stated that up until now the highest offer made from the City for the desired portion of the family's property is \$82,750. She noted that on page 5 of the appraisal summery statement, under improvements to be acquired, there is no mention of the rental house. She inquired whether the family gets to keep the rental house. She stated that the family has an appraisal of \$295,000 for the approximate 25 feet of Tennant Avenue frontage and the home which would need to be demolished. She referred the Council to a copy of the family's appraisal, paragraph 1 of page 8, prepared by George C. Delprado. She did not believe that the City has considered compensation for the loss of the rental income of \$1,150 per month or the relocation of the tenants. In the past, Mr. Palmer stated that the tenants in the home would be compensated for relocation. She inquired why the north side of Tennant Avenue was chosen for widening when the homes were there before the commercial area was built. She noted that Mr. Ashcraft's letter states that Mr. Palmer is available to negotiate with the family, indicating that Mr. Palmer has not returned her negotiator's phone calls. She stated that the family/trust looks forward toward continued negotiations with a more realistic price that includes tenant compensation.

No further comments being offered, the public hearing was closed.

Council Member Carr inquired whether the appraisal before the Council and the offer the City's consultant has made was for strictly for the amount of property needed for the widening of the street and not the entire lot.

Mr. Ashcraft indicated that he has been informed by legal counsel that compensation is something that the Council should not discuss this evening. The item before the Council is the need for the public to acquire the project and that compensation is to be worked out through another process. He stated that he was not prepared to talk about the compensation that has been offered.

City Manager Tewes said that the City has to provide evidence with respect to the offer that has been made. He stated that an offer was made for approximately 3,000 foot portion of the lot, not the entire lot. He said that the City made an offer that included severance damage. He said that it would be up to the owners on how they wish to deal with the house (e.g., move, demolish, or rebuild on the remainder of the lot). He clarified that the City's offer was based on the appraisal and some severage damage. He reiterated that staff has been advised by legal counsel not to discuss the issue of valuation. However, staff made the offer that was authorized.

Council Member Chang stated that she could not make a decision on this item as she did not know the value of the property.

Acting City Attorney Siegel identified the procedure that the Council would need to undertake this evening. He said that four of the five Council members would need to vote in the affirmative for the resolution. The resolution adopts findings, none of which concern the value of the property. He noted that one of the speakers stated that the Hernandez trust does not contest the right of the City to take the property. However, they have some questions about the City's evaluation. If the City was to move forward with the resolution of necessity, the evaluation would be handled in two methods moving forward: 1) a continued negotiation process; or 2) go toward jury trial where a group of peers would decide the value of the property. By moving forward with the resolution of necessity, it in no way prevents negotiations but may help negotiations along. He said that there is a great hesitancy to talk about costs, allocations, severance costs, value of the property and what would happen to the house/porch as these issues are not before the Council this evening. If the resolution of necessity is not approved, the property would never appear before the Council.

Mayor Kennedy disclosed that he met with Mr. Heinberg who went over some of the figures before the Council.

Mr. Heinberg indicated that he met with Mr. Palmer on several occasions and that in the most recent letter from him; he is still at the appraised level of \$82,750 as he was two years ago.

Council Chang inquired as to the square footage the City is proposing to acquire.

Mr. Ashcraft responded that the area needed for permanent street easement is at 3,796 feet and that the City also needs a temporary demolition easement for 4,835 feet in case the property owners decide not to relocate the house. If the trust elects not to relocate the house, the City would need this easement to demolish the house.

City Manager Tewes said that by adopting the resolution, the City is offering a total of \$82,750. Of this amount, \$37,500 is severance damage.

Mayor Pro Tempore Sellers said that it sounds as though the Council's charge this evening is very narrow. He noted that the Council is being asked whether or not to proceed with eminent domain. He said that the City has taken this action approximately 3-4 times during his tenure. He was proud to state that every single time; the City did not go to jury trial and has always been successful in negotiations. He stated that he is determined not to break that record in this case. He said that what the Council is stating that it would be like to acquire property as it is important to do so. He was pleased to hear that the representative of the property owners agrees that it is important. By adopting the resolution, it allows discussions of an appropriate amount. He felt that the City can negotiate the cost for the property. He requested that consideration be given to the purchase of the entire property. He felt that this may be an area that the City could negotiate. If the property owners are not interested in selling the entire property, the City should not pursue purchasing the entire parcel, only that portion needed for the right of way. He said that it was discerning to hear that it was stated that phone calls were not being returned and that the City's appraisers were not adequately responding to property owners. He requested that staff look into this and that the City provide adequate responses. He recommended that the Council proceed with this action item this evening.

Mayor Kennedy stated that it is important for the City to move forward with the widening of Tennant Avenue. He said that this is the first step in the process to get this project moving forward and may help speed up the negotiation process. He was confident that the City can work out an agreement that would be mutually acceptable to all parties.

Council Member Carr said that the City needs to make sure that phone calls are returned and that negotiations proceed as there is a lot more negotiations that need to take place. He felt that the City needs to make sure that it is being done in as open of a fashion as possible.

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Adopted** Resolution No. 5789, Necessity for a Portion of Property Identified as APN 817-004-006 for the Proposed Tennant Avenue Widening Project*

**Action:** *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Approved** the Expenditure of \$82,750 for Property Identified as APN 817-004-006, Plus Escrow and Closing Costs for the Acquisition of this Property.*

City Manager Tewes indicated that the City will initiate contact to enter into negotiation discussions.

**Note:** *Please see amended motion/action toward the end of the minutes.*

## ***City Council Action***

### **CONSENT CALENDAR: (Continued)**

**Action:** *On a motion by Council Member Chang and seconded by Mayor Pro Tempore Sellers, the City Council unanimously (5-0) **Approved** Consent Calendar Item 14, as follows:*

#### **14. APPROVAL OF RIGHT OF WAY PURCHASE AGREEMENTS FOR TENNANT AVENUE WIDENING (APN: 817-04-002 AND 817-04-008)**

**Action:** *1) **Approved** Purchase; and 2) **Authorized** the City Manager to Execute Purchase Agreements, Subject to Approval as to Form by City Attorney, with the Owners of APN 817-04-002 and APN 817-04-008 for Total Compensation of \$95,000 and \$168,767 Respectively, plus Escrow and Closing Costs for the Acquisition of Portions of These Properties.*

## ***City Council and Redevelopment Agency Action***

### **OTHER BUSINESS:**

#### **15. WORKPLAN FOR THE DOWNTOWN PLAN**

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that the workplan is one that is in progress and can be modified to reflect the workshop discussions as this is a mechanism by which to begin discussions for the Downtown Plan. He indicated that the workplan and the Downtown Plan are broken into two sections. He said that within the Downtown Plan there is an implementation strategy that includes non-public improvement activities and public improvement activities. He addressed the key non public improvements activities as follows: amending the General Plan and Land Use Map/zoning ordinance. Part of this will include limiting ground uses to retail and making sure that design ordinances are consistent with the Downtown Plan. He indicated that at this time, the City is not establishing a commercial rehab loan program for the downtown as staff is awaiting the completion of the Downtown RFC before allocating funds to this type of program. Also, the Agency continues its support of the Downtown Association. He stated that the Downtown Plan prioritizes public improvements. He identified the public improvement priorities as follows: Monterey Road traffic calming improvements; Llagas Creek Flood Control Improvements; and Parking Resources Management Plan; Depot Street landscaping and urban design; pedestrian crossing at Caltrain Station; facade and private signage; public signage improvements; Llagas Creek Landscaping and Bicycle Path; and the Third Street Urban Design Improvements and Focal Point. He informed the Council/Agency Board that a possible source for these activities is the monies that have been reserved for the Downtown RFC (\$1.8 million) should the Council/Agency decide not to fund various downtown RFC activities. He indicated that there were second tier priorities listed within the Downtown Plan. He stated that staff does not recommend funding the secondary tier priorities at this time. He said that staff will continue to work with the Downtown Association to refine this.

Mayor/Chairman Kennedy requested that Mr. Toy provide the Council/Agency Board with a copy of his presentation as it is a better summary than what was included in the agenda packet. He stated that he did not see an item included for the downtown trail along Llagas Creek in the downtown area.

Mr. Toy said that within the Downtown Plan, in terms of the Llagas Creek improvements, it only talks about taking the trail to the downtown. He stated that unless there is enough room to construct a trail to the downtown, it may be an expensive project. He indicated that staff would need to investigate whether it was included in the second tier priority. He clarified that staff did not assign timing or a budget amount to this activity.

Mayor/Chairman Kennedy stated that he would like to see the trail included as part of the Downtown Plan.

Mayor Pro Tempore/Vice-chair Sellers stated that he recalls that this project is specifically outlined as an option for the Water District to undertake. He said that this project may be listed in the CIP, under flood control. However, he felt that this project is under their purview. He indicated that the Downtown Committee met early on with Water District representatives where they presented a plan. The Downtown Committee made it clear that the City expects that there would be a trail incorporated in the Llagas Creek plan.

City Manager/Executive Director Tewes said that the Council/Agency Board needs to be clear about what the Downtown Plan provides. He said that the Downtown Plan looked at the designs that the Water District had for the PL566 through the downtown, and learned that there is a very narrow right of way available in some of the sections between Dunne and Main Avenues. Some of these areas are so narrow that it required a special design in one section that could not accommodate a trail unless there was very expensive acquisition of existing built up properties to accommodate the trail.

Mayor/Chairman Kennedy requested that the trail to the downtown be included in the long term Downtown Plan.

In response to Mayor Pro Tempore/Vice-chair Sellers question, Mr. Toy informed the Council/Agency Board that the General Plan updates would occur in September or October 2004.

Mayor Pro Tempore/Vice-chair Sellers inquired whether there were any Measure C projects that would not be able to move forward until the General Plan updates or residential rezoning occurs.

Planning Manager Rowe indicated that the City cannot complete the land use changes until the CEQA process is completed. He stated that it is anticipated that the CEQA process would be completed in time for the Planning Commission to review in September and for Council review in October 2004. He said that it would require changes to be in place for projects wishing to proceed in the Measure C competition. He indicated that the filing deadline for Measure C is October 1. He said that staff is trying to determine whether these dates could be moved where the Council could act on the general plan updates as a floating date in September 2004. Doing so would allow Measure C residential projects the ability to submit an application by the October filing deadline.

Council/Agency Member Carr expressed concern that should the City not allow downtown projects to compete under this round of Measure C competition, it would be two years before downtown projects can compete. He requested that staff give some thought to pushing back the October 1 deadline for downtown projects.

Planning Manager Rowe said that the Council/Agency Board could elect to hold a single year competition this year and start the two years the following year. Another alternative would be to have a separate competition for the downtown that would occur the following year. He indicated that staff would look at the various options and advise the Council which would work best.

Mayor/Chairman Kennedy stated that earlier, when the Council approved item number 9 which authorized \$300,000 to help the Corp of Engineering with the PL566 project, the expenditure will help to keep the work activity on schedule as it is important to the downtown.

Mayor Pro Tempore/Vice-chair Sellers indicated that the Downtown Association has been actively involved in the review of the workplan and have some areas of concern. He said that there were a few items that were not a part of the plan. This includes areas of implementation. He felt that this may warrant Council involvement but felt that most items can be worked out between the Downtown Association and staff.

Mayor/Chairman Kennedy addressed the tour sponsored by the Downtown Association that the Council took. He stated that the Council/Agency Board toured three different downtowns that were successful (Rockridge, Palo Alto, San Mateo). He noted that the success of these downtowns was attributable to the fact that they had a single lane of traffic that slowed traffic down; making the downtown more pedestrian friendly. He felt that it was critical that the City move forward as quickly as possible with the traffic study and changing the downtown to a one lane of traffic flow in each direction. Also, seen in these downtowns was housing on upper levels and retail on the first floor/grade levels. He said that a mixed use was also critical to having a successful downtown. He felt that these were two very important issues that would help the downtown to be viable, alive and successful.

Mayor/Chairman Kennedy opened the floor to public comment. No comments were offered.

**Action:**        *On a motion by Mayor Pro Tempore/Vice-chair Sellers and seconded by Council/Agency Member Carr, the City Council/Agency Board unanimously (5-0): 1) **Accepted** the Workplan for the Downtown Plan; and **Directed** Staff to Schedule Future Council Workshops to Discuss the Recommendations and Findings of the Traffic Study Regarding Monterey Road and the Parking Management Plan.*

## ***City Council Action***

### **OTHER BUSINESS: (Continued)**

#### **16.     STATUS OF REGIONAL SOCCER COMPLEX PROJECT**

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that the City of San Jose has identified approximately \$300,000 to be reserved for the soccer complex EIR. He noted that the Redevelopment Agency has reserved \$1 million toward this project with the CYSA coming up with funding for the balance of the project. He informed the Council that staff has contracted with Beals Alliance to prepare a preliminary site plan, construction cost estimate and timeline for the soccer complex to help facilitate the EIR. He stated that the City of San Jose is trying to coordinate a meeting for next Friday. At this meeting, all groups are to comment on the preliminary site plan and that Beals will take these comments, returning in approximately three weeks with a revised site plan and a scope of work that can be taken by the City of San Jose and put into an RFP for EIR consultants. He informed the Council that the City of San Jose believes that it would have a consultant under contract to prepare the EIR in August, taking seven months to prepare and approve said EIR. After the approval of the EIR, it will take approximately 12 months to design and build the facility with a March 2006 target date for the opening of the regional soccer complex.

Mayor Pro Tempore Sellers inquired what the CYSA would be anticipating as far as the interim year. He noted that CYSA would be concluding their contract with the City at the end of this year and that it would be March 2006 before the opening of the new facility.

Mr. Toy responded that staff has not had discussions with the CYSA as to their plans after December 2004.

Mayor Kennedy inquired whether there was a way to speed up this process.

Mr. Toy stated that the EIR is on the shoulders of the City of San Jose. It was staff's original belief that the City of San Jose would have an EIR consultant on board months ago. At this point, the City of San Jose is indicating that they need the scope of work and that it would take 2-3 months to prepare an RFP and award a contract. He stated that 7 months is very aggressive schedule and that if an EIR is not required, the review could be completed sooner.

Mayor Kennedy expressed concern that it would take so long to get the soccer complex up and running. The potential for not having a soccer facility in Morgan Hill or delaying the soccer complex from being converted to a multi sports complex is a concern. He requested that staff come up with a timeline. He offered to address a letter to the City of San Jose, jointly with the CYSA, that focuses on the possibility that they may be out of a location unless they can jointly get San Jose to move forward quickly.

Council Member Chang said that what is holding the City of San Jose up is the preparation of the site plan. She said that the City of San Jose has been talking to the City of Morgan Hill for approximately two months, noting that the City does not have the site plan. She said that the City of Morgan Hill originally committed to the preparation of a site plan.

City Manager Tewes said that staff finds it odd that the City of San Jose staff will not even initiate the process to seek proposals for an EIR until a completed site plan has been prepared. He indicated that a site plan has been prepared under contract with Beals and that the City recently learned that the City of San Jose did not believe that it was adequate. Therefore, Beals firm will need to prepare another site plan.

Council Member Chang said that she had a conversation with San Jose Council Member Forrest Williams last week who promised that he would commit to doing the City of San Jose's part if the City of Morgan Hill does theirs.

Mayor Kennedy inquired whether the site plan could be expedited.

Mr. Toy stated that the City of San Jose has indicated that they took the City's preliminary site plan and that they have some issues with it in terms of planning and other setback requirements. He said that they have yet to share these concerns with staff. It was indicated that at Friday's meeting they will share their comments with the City of Morgan Hill and that others should bring their comments regarding the site plan. Once this occurs, Beals will take the comments and turn around in three weeks with a revised site plan. He felt that this meeting should provide sufficient information to proceed with an EIR. Originally, the City of San Jose wanted to wait until a complete master plan was prepared. He noted that Beals' total scope of work was completed before the issue of the EIR was raised. It is staff's belief that the City of San Jose only needs enough programming information to proceed with an RFP and that they do not need the completed master plan.

Council Member Chang expressed concern with the lease. She said that it is her understanding that once the lease expires; CYSA is on a month to month lease until a 30-day notice is given. She did not see the City having enough money to proceed with an outdoor recreation center by December 2004. It was her belief that the CYSA would give the City a 30-day notice before the City is able to give a 30-day notice.

Mayor Kennedy noted that the CYSA would not be able to lease the site until March 2006. He indicated that the sports complex advocates are talking about taking the fields as they are and doing a lot of the work themselves so that they can move quickly within the established budget.

Mayor Pro Tempore Sellers noted that it construction of a new soccer complex could commence in March 2005 and be completed by March 2006.

Mayor Kennedy noted that it did not take long to construct the soccer complex in Morgan Hill. He felt that what would need to be done at the Sobrato site would be more difficult. He stated that he did not want to usurp the authority of the Council soccer subcommittee.

Council Member Chang supported Mayor Kennedy's offer to draft a letter to the City of San Jose. She indicated that the Council soccer subcommittee will use their influence.

Mayor Pro Tempore Sellers felt that Mayor Kennedy's letter would be complimentary to the subcommittee's efforts.

Council Member Carr supported doing everything the City can to expedite the process. He did not understand why the RFP could not be sent out for the EIR. He felt that the City needs to be careful with the site plan and not let the first design move forward. He noted that the City spent a lot of time with the School District reviewing traffic ingress/egress off of Monterey Road. As he reviews the site plan, he felt that it will cause problems, the exact problems discussed with the School District a few years back. He recommended that the City review the site plan and make sure that it is one that will work, not one being pushed through for expediency sake. He addressed the use of the \$1 million that the City has committed to assist the CYSA move off the City site in order to develop the sports complex sooner. He said that the Council needs to discuss how the \$1 million is to be used. He expressed concern, in reading the City of San Jose's memo that it indicates that the City of Morgan Hill has reserved \$1 million for the project as compensation for dislocating the CYSA from the soccer park. He did not believe that the \$1 million was set aside for compensation for dislocation. He noted that the City has a lease with the CYSA and that the City owns the property, therefore, the City was not dislocating CYSA. He felt that discussions should be undertaken to determine what the \$1 million is to be used for. Initially, he felt that the Council allocated the \$1 million for capital expenditures to help build the site. He inquired whether the City could invest these dollars and that any interest earned by these dollars would go to CYSA for operational costs. This would allow maintenance of the facility in a way that would encourage the organization to utilize the soccer fields, resulting in an attractive gateway into Morgan Hill. The investment could be tied to a number of years or as long as CYSA operates the site. Once CYSA terminates the use, the \$1 million would return to the Morgan Hill RDA. He inquired

whether this would be a proper use of RDA dollars and whether it would generate enough funds to maintain the fields.

City Manager Tewes noted that these are RDA tax increment dollars and that they can only be used for capital purposes. The RDA tax increments cannot be used for maintenance. He did not believe that the funds would generate a lot of interest.

Council Member Tate noted that the staff report states that \$1 million has been set aside for the CYSA move. This was his concept but in a more generic sense of the move. He said that there may be hurdles that come up. He felt that the Agency set aside some funds to help remove these hurdles and not to facilitate the move or to plant turf, etc. He felt that the money was set aside so that it could be used in case situations came up that need to be resolved.

Council Member Carr felt that the \$1 million could be used to make sure that the site is to be vacated and left in a condition that would allow moving forward with a sports complex.

Council Member Chang stated that CYSA is doing the City a service by maintaining the fields. She felt that when the Council originally discussed this issue, she heard that it may take more than \$1 million to allow the soccer complex to relocate and move forward. She said that she was happy to see that the City of San Jose is releasing \$300,000 to perform the EIR in light of the budget situation. She felt that it was time for the City of Morgan Hill to push forward with this project. She felt that the City of San Jose would identify items and want to use the \$1 million. She requested that the soccer committee be allowed to do their job and move this project forward.

Council Member Carr said that he would be happy to allow the subcommittee to do its job. However, the Council/Agency will need to eventually decide how the dollars are to be sent. He stated that he does not know what CYSA was putting into the project. He noted that the Council/Agency has not had the opportunity to discuss what the \$1 million would be used for. He said that he would support using some of these funds to expedite the process.

Mayor Kennedy opened the floor to public comment. No comments were offered.

**Action:**        *No action taken*

**13.    CONDUCT HEARING AND CONSIDER ADOPTION OF RESOLUTION OF NECESSITY FOR PROPERTY ACQUISITION FOR PROPOSED TENNANT AVENUE WIDENING**

Council/Agency Member Chang stated that she would like to change her vote on the second action item as listed under agenda item 13.

Acting City Attorney/Agency Counsel Siegel said that if the expenditure identified in action item 2 is not approved, it would nullify approval of action item 1. If both actions are not approved, the resolution

does not pass as part of the action deposits a sum of money with the State and the City would not be able to proceed with the resolution of necessity without this deposit.

**Action:** *On a motion by Council Member Chang and seconded by Mayor Kennedy, the City Council unanimously (5-0) **agreed** to reconsider the vote taken on agenda item 13, second action item.*

Mayor Pro Tempore/Vice-chair Sellers said that it was his understanding that in order to initiate the resolution of necessity, the City has to deposit the money in the bank, based on the last appraisal. The action before the Council is placing the money in the bank and that negotiations would proceed.

Council/Agency Member Chang stated that she did not want to give the property owners the impression that she is offering this amount of money for this project as she did not believe that this is the amount the land was worth.

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-1 vote with Council Member Chang voting no, **Approved** the Expenditure of \$82,750 for Property Identified as APN 817-004-006, Plus Escrow and Closing Costs for the Acquisition of this Property.*

### **FUTURE COUNCIL-INITIATED AGENDA ITEMS**

Council Member Chang requested that discussion of the High Speed Rail be referred to the Legislative Subcommittee. She indicated that the Cities Association may want to recommend that the Board move forward with this project and recommended that the City voice an opinion.

City Manager Tewes indicated that the City has recirculated a draft EIR on the Institute Golf Course project. He stated that the final impact report and the proposed action to adopt a Planned Unit Development (PUD) for this project will go before the Planning Commission on May 25. It was staff's hope and expectation that Council review of this project would be scheduled on June 2, 2004. In looking at other planned items for the June 2 meeting, he noted that there were a number of public hearings and other development issues to be reviewed by the Council. June 2, 2004 is the public hearing that has been scheduled for the budget. He indicated that the Council may wish to consider a June 9 special meeting for the sole purpose of hearing the Institute PUD and EIR. He said that staff anticipates the presentation of the EIR to be somewhat lengthy and complex with considerable public testimony.

Mayor Pro Tempore Sellers supported conducting a special meeting on June 9 for the Institute Golf Course project as the Council is trying to avoid a meeting on June 23.

Mayor Kennedy agreed that it made sense to have a separate special meeting for the Institute Golf Course.

Council Member Chang informed the Council that the Santa Clara Cities Association and the Commonwealth Club is jointly hosting a seminar featuring David Osborne, the author of Reinventing

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Government, on June 24, 2004 at 6:15 p.m. at the Flames Restaurant located on Meridian Avenue, San Jose. She encouraged all Council members to attend this seminar.

City Manager Tewes indicated that there had been some indication about scheduling an ordinance to address replica guns within the City Limits of Morgan Hill. In light of the complexity of this issue, staff wants to know if the Council wishes to have the City Attorney's office draft an ordinance for Council consideration. If so, he requested that the Council give the City Attorney's office sufficient time to investigate/prepare a draft ordinance.

Mayor Kennedy requested that staff agendaize the discussion of a draft ordinance on replica guns.

### **CLOSED SESSION**

Council Member Chang indicated that the Council did not close one closed session item and requested that the Council adjourn to closed session.

Mayor Kennedy indicated that he announced that no reportable action was taken in closed session.

City Attorney Siegel indicated that the Mayor Kennedy, upon reconvening from closed session, announced that the Council concluded closed session discussions and stated that no reportable action was taken in closed session. He stated that the Council can agree to continue with closed session. The question is whether the closed session was closed. If the closed session portion of the meeting was in deed closed and adjourned, there is no need for the Council to return to closed session. He noted that it was his impression that the closed sessions were concluded; however he was not in attendance in closed session discussions.

### **RECESS**

Mayor/Chairman Kennedy announced a recess in order to discuss closed session procedures with the Acting City Attorney/Agency Counsel at 9:37 p.m.

### **RECONVENE**

Mayor/Chairman Kennedy reconvened the meeting at 9:48 p.m.

### **ADJOURNMENT**

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 9:49 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK/AGENCY SECRETARY**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

**Agenda Item # 26**

**Prepared By:**

**Assistant to the City  
Manager**

**Submitted By:**

**City Manager**

### **SOLID WASTE MANAGEMENT RATE ADJUSTMENT**

#### **RECOMMENDED ACTION(S):**

1. Open/Close the Public Hearing
2. Approve the Refuse Rate Resolution

**EXECUTIVE SUMMARY:** The Council approved the fifth amendment to the City's franchise agreement for solid waste management services in December, 1998. One of the provisions of this amendment is that future service rates will be based upon changes in the Consumer Price Index. South Valley's rate application, Attachment 1, follows the formula prescribed in the franchise amendment. Attachment 2 is an excerpt from the amendment that describes the formula. The total rate adjustment requested is .82%. This rate adjustment will increase the maximum allowed charge for basic residential service rate of \$20.95 by 17¢ per month.

Attachment 1 lists all of the City's current solid waste rates and what the maximum rates will be with these adjustments. The maximum permitted monthly charge for flatland customers will be \$21.12 and the maximum permitted monthly charge for hillside customers will be \$23.01. Staff recommends adoption of the enclosed resolution.

If the rate adjustment is approved, South Valley will work with the City in designing a billing insert for their quarterly bills that clearly explains the adjustment methodology.

**FISCAL IMPACT:** If the rate application is approved, the City's franchise fee revenues will go up by .82% or approximately \$6,500.

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF MORGAN HILL APPROVING AN  
ADJUSTMENT IN SOLID WASTE COLLECTION  
RATES**

**WHEREAS**, The City of Morgan Hill has approved the Fifth Amendment to the Solid Waste Franchise that establishes a rate setting methodology; and

**WHEREAS**, South Valley Disposal and Recycling has submitted an application for a rate adjustment that substantially complies with the methodology in the Amendment; and

**WHEREAS**, the cost of living, as indicated by the consumer price index, has increased during the past year causing an increase in the cost of providing service; and

**WHEREAS**, required contributions to landfill-related trust funds have remained low; and

**WHEREAS**, South Valley Disposal and Recycling has agreed to provide an educational insert in their next garbage billing explaining the rate adjustment process;

**NOW THEREFORE, BE IT RESOLVED** that the City Council of the City of Morgan Hill authorizes South Valley Disposal and Recycling to adjust their rates up to the maximum levels listed on Attachment 1.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 19<sup>th</sup> Day of May, 2004 by the following vote.

**AYES:**           **COUNCIL MEMBERS:**  
**NOES:**          **COUNCIL MEMBERS:**  
**ABSTAIN:**      **COUNCIL MEMBERS:**  
**ABSENT:**       **COUNCIL MEMBERS:**

**☞ CERTIFICATION ☞**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 19, 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

## Attachment 2

### Section 6. Franchise Collection Rates

(A) COMPANY shall not charge any amount in excess of the approved schedule of service rates for any services required or permitted to be performed by the terms of this Agreement. The approved service rates are those set forth in Exhibit A attached hereto and incorporated herein by reference, or as such Schedule of Rates may hereafter be amended by resolution of the City Council.

(B) COMPANY shall submit a request for an adjustment of service rates no later than March 1 of any given year if an adjustment is desired by the COMPANY. Any approved change in service rates shall become effective on July 1 of the same calendar year. For purposes of adjustment, the base rates shall be the rates in effect on January 1, in the calendar year the adjustment is made. Each base rate shall be adjusted annually on the basis of eighty percent (80%) of the net percentage change in the Consumer Price Index (CPI), all Urban Consumers (all items) for the San Francisco/Oakland Metropolitan Area. The indices used shall be those published by the United States Department of Labor, Bureau of Labor Statistics. All net percentage changes shall be calculated by the following formula:

$$\text{Net Percentage Change} = \frac{V(I) - V(I-1)}{V(I-1)}$$

Where:  $V(I)$  = Index value as of November of the year preceding the adjustment year; and

$V(I-1)$  = Index value for the November of the second preceding year.

In addition to the adjustment provided for herein based upon the CPI, the parties agree to adjust the service rates based upon any extraordinary changes in circumstances that materially increase the COMPANY's costs of providing service hereunder that are substantially beyond the control of the COMPANY (including, without limitation, revisions to laws, ordinances, or regulations, or the interpretation or enforcement thereof). The parties furthermore agree to adjust the service rates to compensate for the following:

- (i) The need, if one arises, to dispose of waste originating in the CITY into a landfill other than the Pacheco Pass landfill;
- (ii) If a volume-based system is implemented, changes in the actual resident subscription rate for each can level that differ from the formula (80%-one can, 15%-two cans, and 5%-three cans) used to set the base rate for 1999;
- (iii) Changes in landfill trust fund payment requirements;
- (iv) Additional costs related to provision of additional services or the continuance of the optional commercial recycled paper recycling program; and
- (v) Changes in the franchise fee

The COMPANY shall include the following information in a request for an adjustment of service rates at a minimum:

- (i) The index values of V(I) and V(I-1);
- (ii) The net percentage change as calculated by the formula above;
- (iii) The percentage change equal to eighty percent (80%);
- (iv) The minimum amount of trust fund contributions required for the year;
- (v) The actual resident subscription rate for each can level if a volume-based system is implemented; and
- (vi) COMPANY's proposed new service rates

Upon receipt of an accurate and correctly calculated request for an adjustment of service rates, CITY shall determine the new service rates to be billed to customers and shall notify COMPANY of such service rates on or before May 1 of the year the adjustment is made.

Should the index named in this section not be published in November of any given year, the calculations shall be performed using the index values of the October immediately preceding the November contemplated by this Amendment.

(C) COMPANY agrees to provide eligible low-income residents with a 20% discount for residential service provided that:

- (i) The resident applying for the discount can prove that they are eligible to receive the "lifeline" discount rate offered by Pacific, Gas & Electric. In the event that this utility discount is no longer offered, the COMPANY and the CITY shall meet to agree upon a replacement measure of eligibility; and
- (ii) The resident subscribes to single-can service if a volume-based system is implemented.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **DEVELOPMENT AGREEMENT APPLICATION, DA-03-09: NATIVE DANCER – QUAIL MEADOWS**

#### **RECOMMENDED ACTIONS:**

1. Open/close Public Hearing
2. Waive the First and Second Reading of Development Agreement Ordinance
3. Introduce Development Agreement Ordinance (roll call vote)

**EXECUTIVE SUMMARY:** The applicant is requesting approval of a development agreement for a six-unit single-family project. The project, referred to as Quail Meadows, is located along the west side of Santa Teresa Boulevard, south of Watsonville Road. The six-lot subdivision represents the final phase of an overall 13-unit, single-family project. The project was awarded two allotments for Fiscal Year 2004-05 and four allotments for Fiscal Year 2005-06 under the Micro Measure P competition.

In accordance with established Council policy, all residential projects awarded building allotments through the Residential Development Control System (Measure P) must secure Council approval of a development agreement. The purpose of this agreement is to formalize the commitments made during the Measure P process, and to establish a development schedule and mechanism to monitor the progress of the project. Project specific commitments made during the Measure P process are identified in Paragraph 14 of the development agreement, and the development schedule is contained in Exhibit B.

The Planning Commission reviewed the applicant's request at their April 27 meeting. The Commission voted 5-0, with two Commissioners absent, to recommend approval of the development agreement with modifications to the deadlines to submit and obtain building permits for the four, Fiscal Year 2005-06 units. A copy of the April 27 staff report and draft minutes are attached for the Council's reference.

**FISCAL IMPACT:** None. Filing fees were paid to the City to cover the cost of processing this application.

**Agenda Item # 27**

**Prepared By:**

**Associate Planner**

**Approved By:**

**CDD Director**

**Submitted By:**

**City Manager**

**ORDINANCE NO.**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT FOR APPLICATION MMP-03-01: NATIVE DANCER – QUAIL MEADOWS (APN 779-02-014) (DA-03-09: NATIVE DANCER – QUAIL MEADOWS)**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAINS AS FOLLOWS:**

**SECTION 1.** The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.

**SECTION 2.** The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.

**SECTION 3.** The Planning Commission, pursuant to Title 18, Chapter 18.78.125 of the Municipal Code and Resolution No. 03-23, adopted April 22, 2003, has awarded allotments to a certain project herein after described as follows:

<u>Project</u>	<u>Total Dwelling Units</u>
MMP-03-01: Native Dancer – Quail Meadows	2 allotments for Fiscal Year 2004-05
	4 allotments for Fiscal Year 2005-06

**SECTION 4.** References are hereby made to certain Agreements on file in the office of the City Clerk of the City of Morgan Hill.

These documents to be signed by the City of Morgan Hill and the property owner set forth in detail and development schedule, the types of homes, and the specific restrictions on the development of the subject property. Said Agreement herein above referred to shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change can be made only after further public hearings before the Planning Commission and the City Council of this City.

**SECTION 5.** The City Council hereby finds that the development proposal and agreement approved by this ordinance is compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.

**SECTION 6.** Authority is hereby granted for the City Manager to execute all development agreements approved by the City Council during the Public Hearing Process.

**SECTION 7.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

**SECTION 8. Effective Date Publication.** This ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of May 2004, and was finally adopted at a regular meeting of said Council on the 2<sup>nd</sup> Day of June 2004, and said ordinance was duly passed and adopted in accordance with law by the following vote:

**AYES:            COUNCIL MEMBERS:**  
**NOES:           COUNCIL MEMBERS:**  
**ABSTAIN:       COUNCIL MEMBERS:**  
**ABSENT:        COUNCIL MEMBERS:**

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
**Irma Torrez, City Clerk**

\_\_\_\_\_  
**Dennis Kennedy, Mayor**

**∞ CERTIFICATE OF THE CITY CLERK ∞**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,** do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 2<sup>nd</sup> Day of June 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

DATE:\_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: May 19, 2004***

### **DEVELOPMENT AGREEMENT DA 04-02: Central-South County Housing**

#### **RECOMMENDED ACTION(S):**

Open/close Public Hearing  
Waive the First and Second Reading of Ordinance  
Introduce Ordinance

#### **EXECUTIVE SUMMARY:**

A request for approval of a development agreement for a single family attached development proposed on a 1.5 acre site located on the north side of E. Central Ave., east of McLaughlin Ave. and west of the rail road tracks.

The applicant is requesting approval of a development agreement covering the 9 allocations received in the 2004 RDCS affordable competition.

Project development agreements are required as a formal contract between the developer and the City. The development agreement formalizes the commitments made during the RDCS process and the development schedule for the project. The development agreement for the 9 lot portion of the Morgan Station project has been completed and is attached as Exhibit A. The project specific commitments are identified in Paragraph 14 of the development agreement, and the development schedule is contained in Exhibit B.

This application was reviewed by the Planning Commission at their May 11 meeting, at which time the Commission voted 5-0 (Engles, Weston absent) to recommend approval of the proposed development agreement as prepared. The Planning Commission staff report is attached for Council's reference.

**FISCAL IMPACT:** No budget adjustment required

**Agenda Item # 28**

**Prepared By:**

**Senior Planner**

**Approved By:**

**Director of Community  
Development**

**Submitted By:**

**City Manager**

**ORDINANCE NO.           , NEW SERIES**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY  
OF MORGAN HILL APPROVING DEVELOPMENT  
AGREEMENT, DA 04-02 FOR APPLICATION MP 04-01:  
CENTRAL-SOUTH COUNTY HOUSING. (APNS 726-24-07,  
022, 023 & 024)**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY  
ORDAIN AS FOLLOWS:**

**SECTION 1.** The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.

**SECTION 2.** The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.

**SECTION 3.** The Planning Commission, pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code, awarded 9 affordable building to that certain project herein after described as follows:

<u>Project</u>	<u>Total Dwelling Units</u>
MP 04-01: Central-South County Housing	9 Single-Family Attached Homes

**SECTION 4.** References are hereby made to certain Agreements on file in the office of the City Clerk of the City of Morgan Hill. These documents to be signed by the City of Morgan Hill and the property owner set forth in detail and development schedule, the types of homes, and the specific restrictions on the development of the subject property. Said Agreement herein above referred to shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change can be made only after further public hearings before the Planning Commission and the City Council of this City.

**SECTION 5.** The City Council hereby finds that the Residential Development Agreement and Development Proposal approved by this ordinance are compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.

**SECTION 6.** Authority is hereby granted for the City Manager to execute all development agreements approved by the City Council during the Public Hearing Process.

**SECTION 7.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

**SECTION 8.** Effective Date Publication. This ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of May 2004, and was finally adopted at a regular meeting of said Council on the 2<sup>nd</sup> Day of June 2004, and said ordinance was duly passed and adopted in accordance with law by the following vote:

**AYES: COUNCIL MEMBERS:**  
**NOES: COUNCIL MEMBERS:**  
**ABSTAIN: COUNCIL MEMBERS:**  
**ABSENT: COUNCIL MEMBERS:**

**ATTEST:**

**APPROVED:**

\_\_\_\_\_  
**Irma Torrez, City Clerk**

\_\_\_\_\_  
**Dennis Kennedy, Mayor**

**∞ CERTIFICATE OF THE CITY CLERK ∞**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,** do hereby certify that the foregoing is a true and correct copy of Ordinance No. , New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 2<sup>nd</sup> Day of June 2004.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

DATE: \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## **REDEVELOPMENT AGENCY**

**MEETING DATE:** *May 19, 2004*

**Agenda Item # 29**

**Approved By:**

\_\_\_\_\_  
**BAHS Director**

**Submitted By:**

\_\_\_\_\_  
**Executive Director**

### **Report from the Morgan Hill Downtown Association**

#### **RECOMMENDED ACTION(S):**

Receive presentation from the Morgan Hill Downtown Association (MHDA) and direct staff how to proceed.

#### **EXECUTIVE SUMMARY:**

Over the past two years, the Agency has funded the operations of the MHDA to implement a Main Street program for downtown. The Agency originally allocated \$250,000 for the MHDA, over a three-year period. Specifically, the Agency approved \$86,000 in FY02-03 and \$80,000 in FY03-04. As we move into the third year of funding, the MHDA has requested an opportunity to present a four year funding proposal and its rationale to the Agency for consideration prior to the Agency/Council's May 21, 2004 budget workshop (see attached memo). The MHDA request is for a total \$359,500 over a four year period (FY04-05 thru FY07-08). During that same time frame, MHDA would generate \$70,500 in revenues to augment their budget.

MHDA was unable to submit a written report to attach to this staff report prior to the printing of the May 19<sup>th</sup> agenda. As a result, this staff report merely serves as "place-holder" for this agenda item. However, should a written MHDA report be available prior to the meeting, staff will distribute the report to the Agency along with a supplemental staff report.

#### **FISCAL IMPACT:**

Depends on the Agency's direction.

